PRESENCE IN CAPITAL MARKET

A CHOICE OR COMPULSION

PRESENTED BY
CA MANISH R. CHOKSHI

18 APRIL 2018

Presence in Capital Market A Choice or Compulsion

- ☐ WHAT IS THE RISK OF INVESTMENT IN STOCK MARKET

- ☐ THE RISK OF NOT INVESTING IS HIGHER

Presence in Capital Market A Choice or Compulsion

- ☐ There are Two ways of being in the Capital Market
  - ■ **Investing**
  - ■ **Trading**

Presence in Capital Market A Choice or Compulsion

- ULTIMATELY YOU HAVE TO ANSWER 2 - BILLION DOLLAR QUESTIONS
  - 1. WHAT TO BUY/SELL
  - 2. WHEN TO BUY/SELL

Presence in Capital Market A Choice or Compulsion

- ☐ ALL DECISION SHOULD BE BASED ON OWN STUDY AND NOT ON THE BASIS OF TIPS OR PINK PAPER REPORTS, HEADLINES ETC.

- ☐ DO GET SLAUGHTERED IN THE MARKET LIKE INNOCENT LAMB

METHOD OF STUDY

- ☐ There are two well known methods of Study of Stock Markets

  - ■ **Fundamental Analysis**

  - ■ **Technical Analysis**

FUNDAMENTAL ANALYSIS

- ☐ INDIAN MACRO ECONOMIC FACTORS
  - ■ GDP
  - ■ FISCAL DEFICIT
  - ■ CURRENT ACCOUNT DEFICIT
  - ■ RATE OF INFLATION
  - ■ RATE OF INTEREST
  - ■ INVESTMENT BY FII's AND DII's
 - ■ OVERALL FINANCIAL HEALTH OF THE ECONOMY

INDIA GDP GROWTH QUARTERLY

GDP %
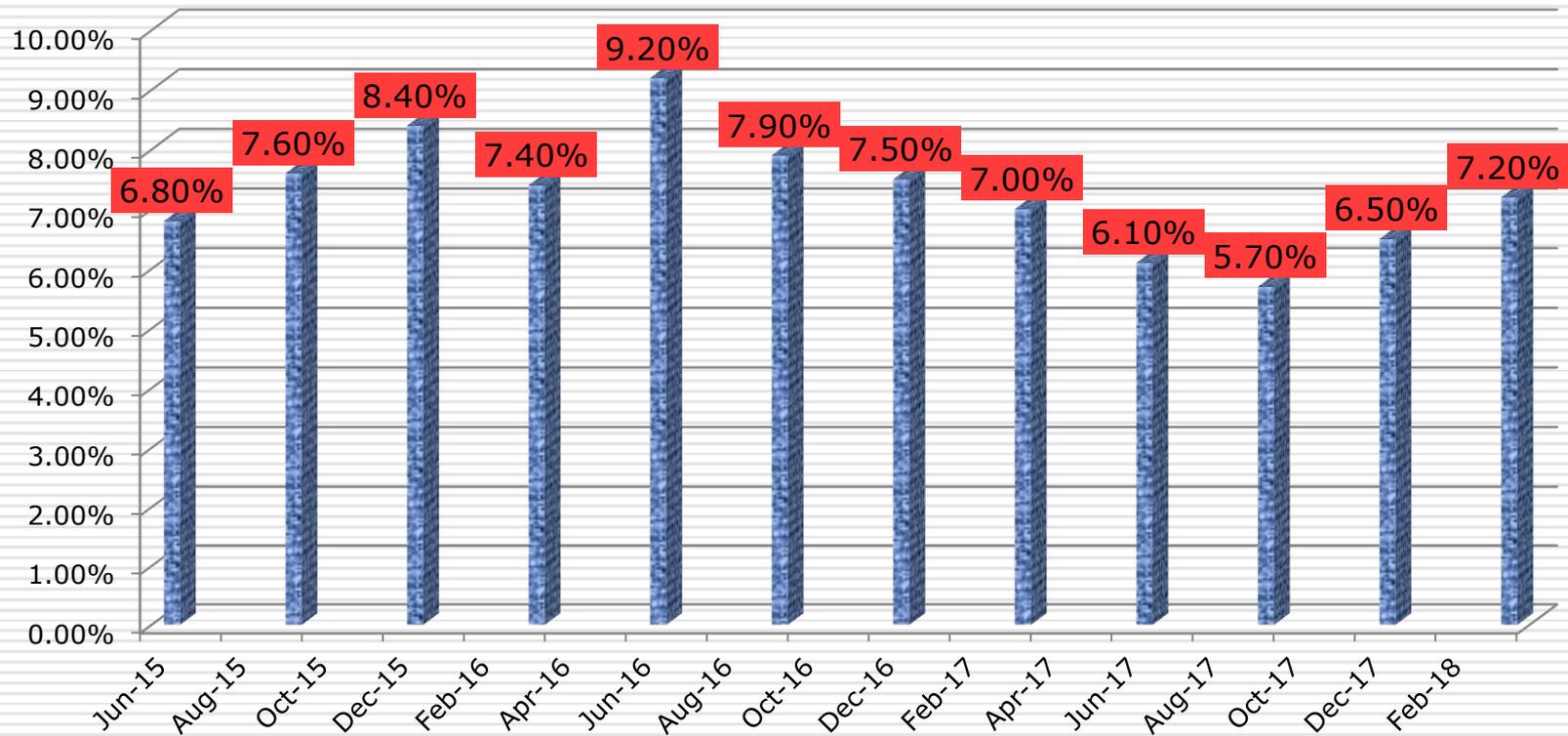
INDIA YEARLY GDP GROWTH
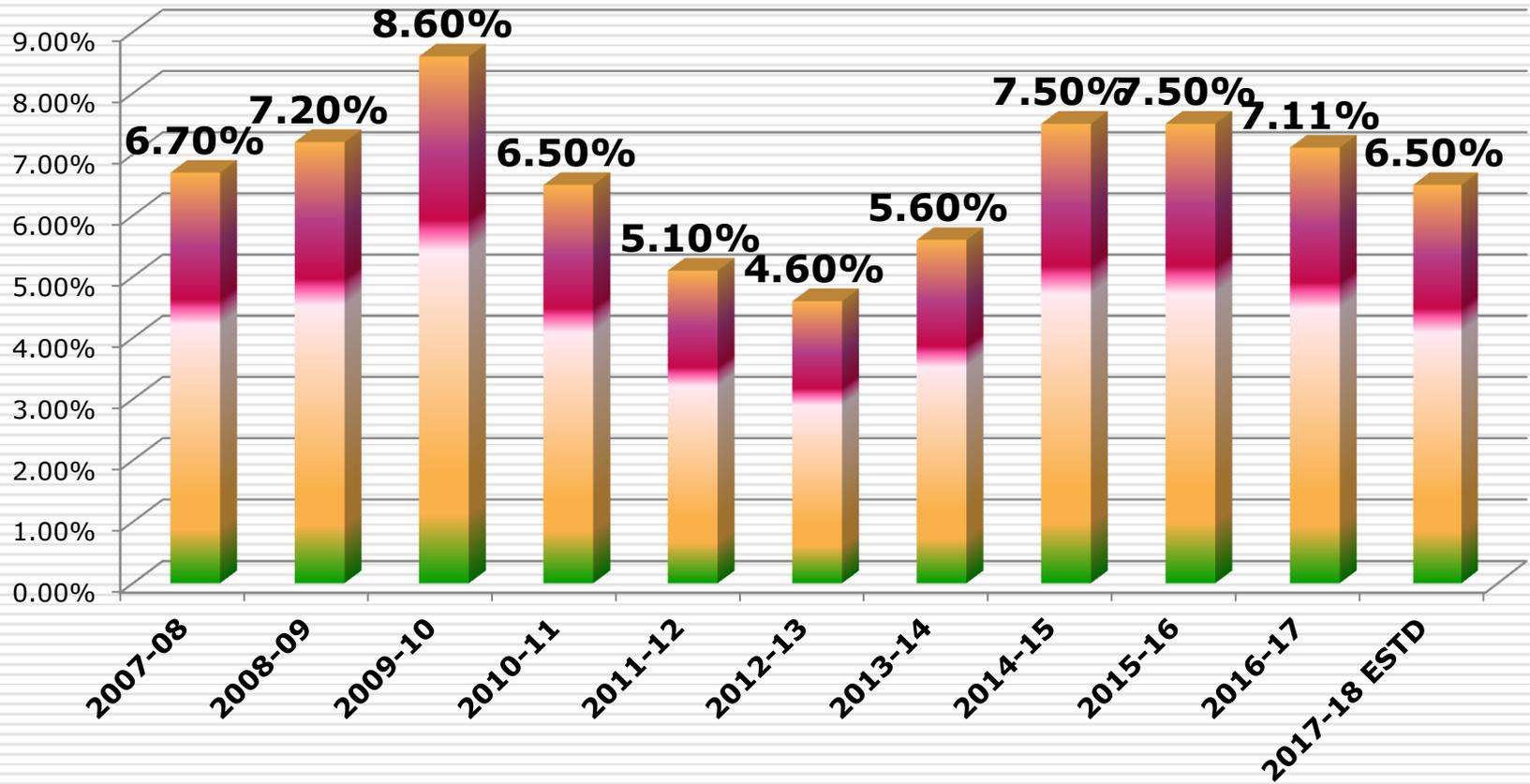
GDP GROWTH OF WORLD COUNTRIES

WORLD GDP

55%

23%

6%

14%

3%
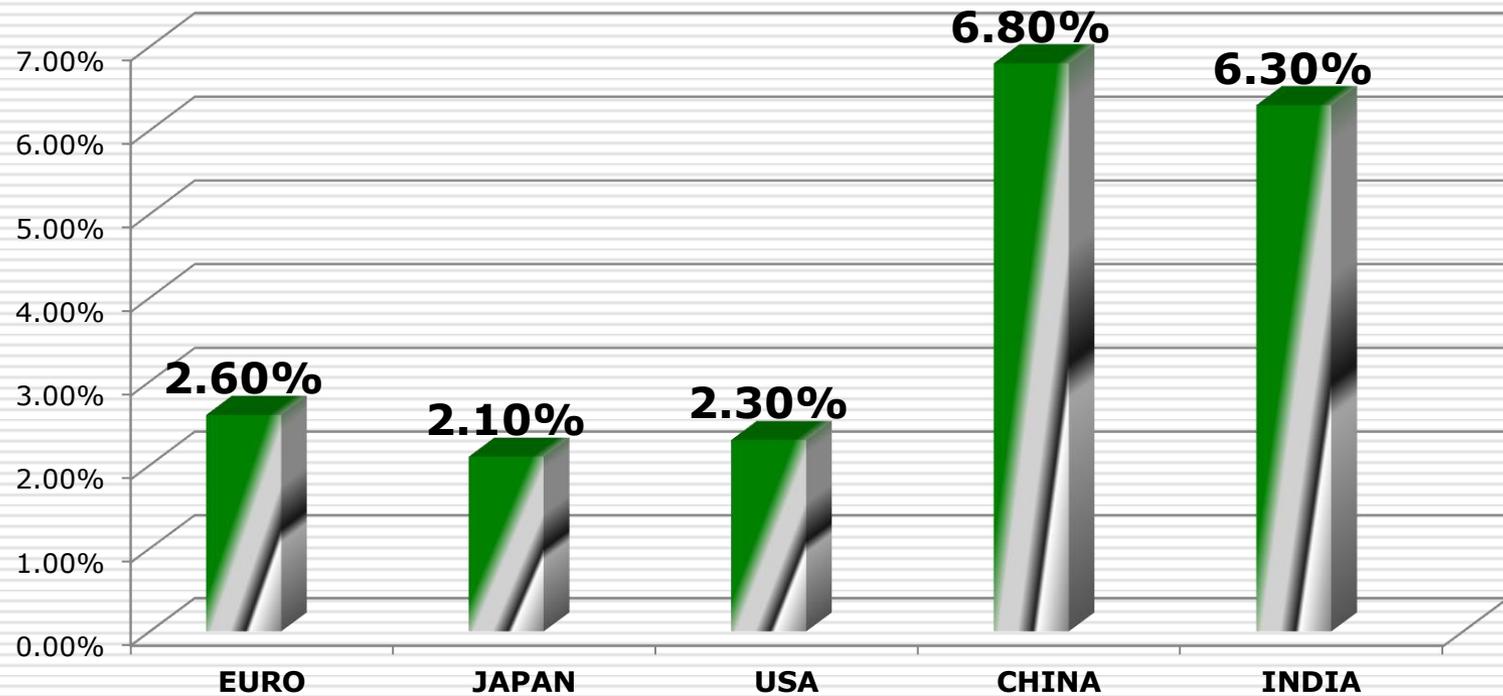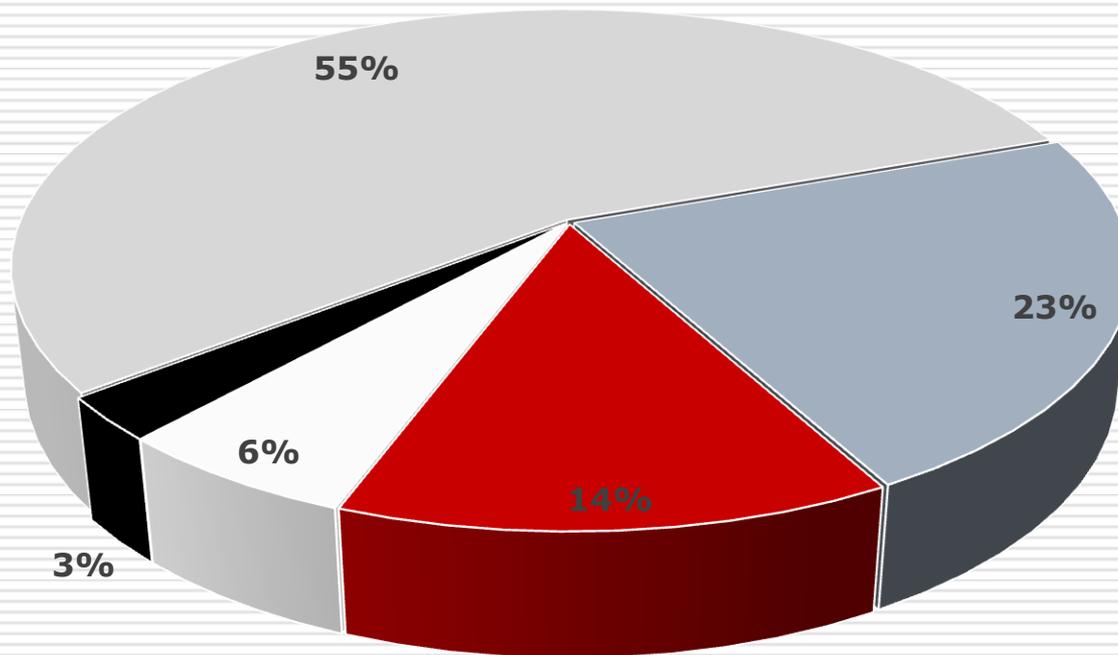
■ USA ■ CHINA ■ JAPAN ■ INDIA ■ OTHERS

FISCAL DEFICIT AS % TO GDP

FY 2009	-7.80%
FY 2010	-6.90%
FY 2011	-5.10%
FY 2012	-5.80%
FY 2013	-4.90%
FY 2014	-4.50%
FY 2015	-3.90%
FY 2016	-3.50%
FY 2017	-3.00%
FY 2018 ESTD	-3.50%
FY 2019 PROJECTED	-3.30%
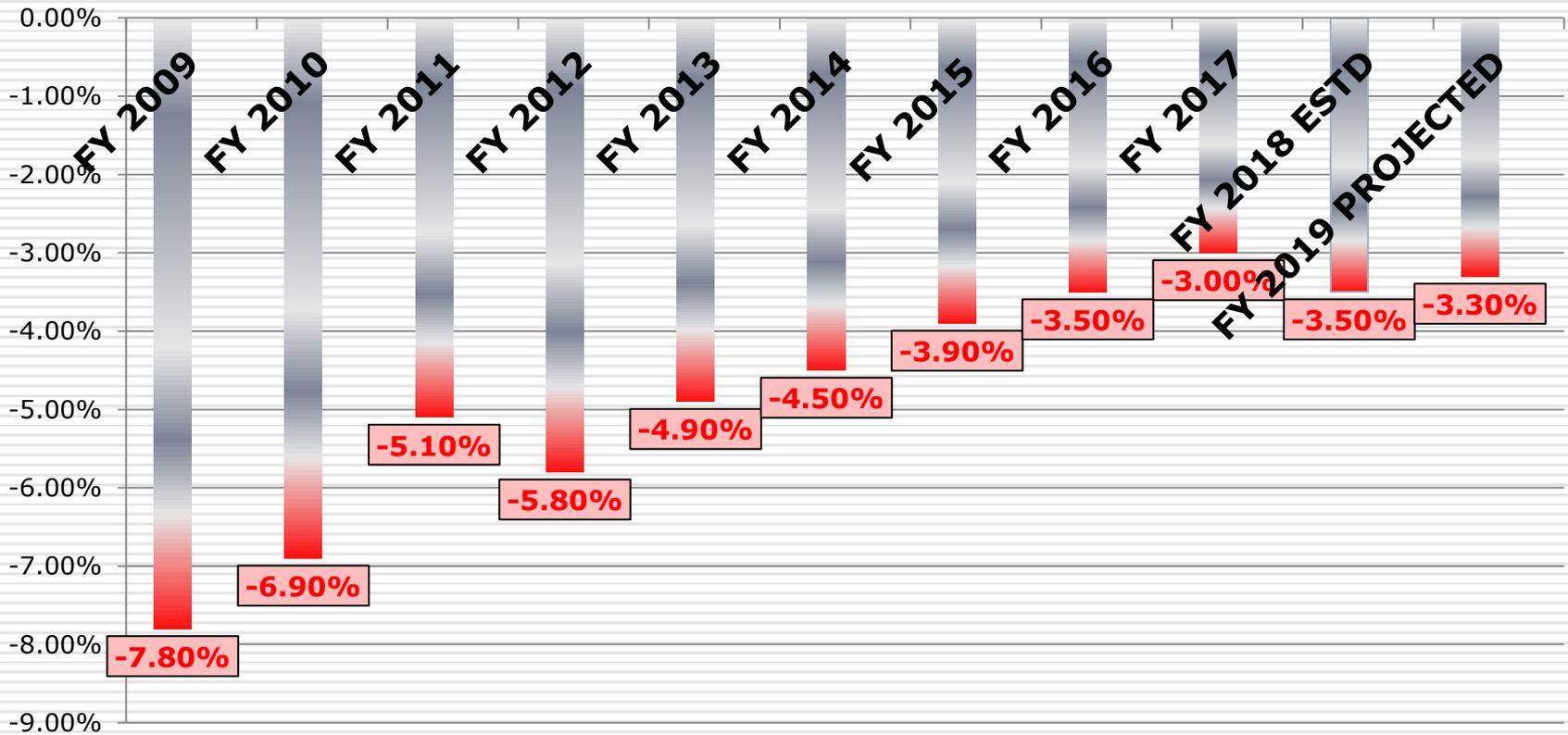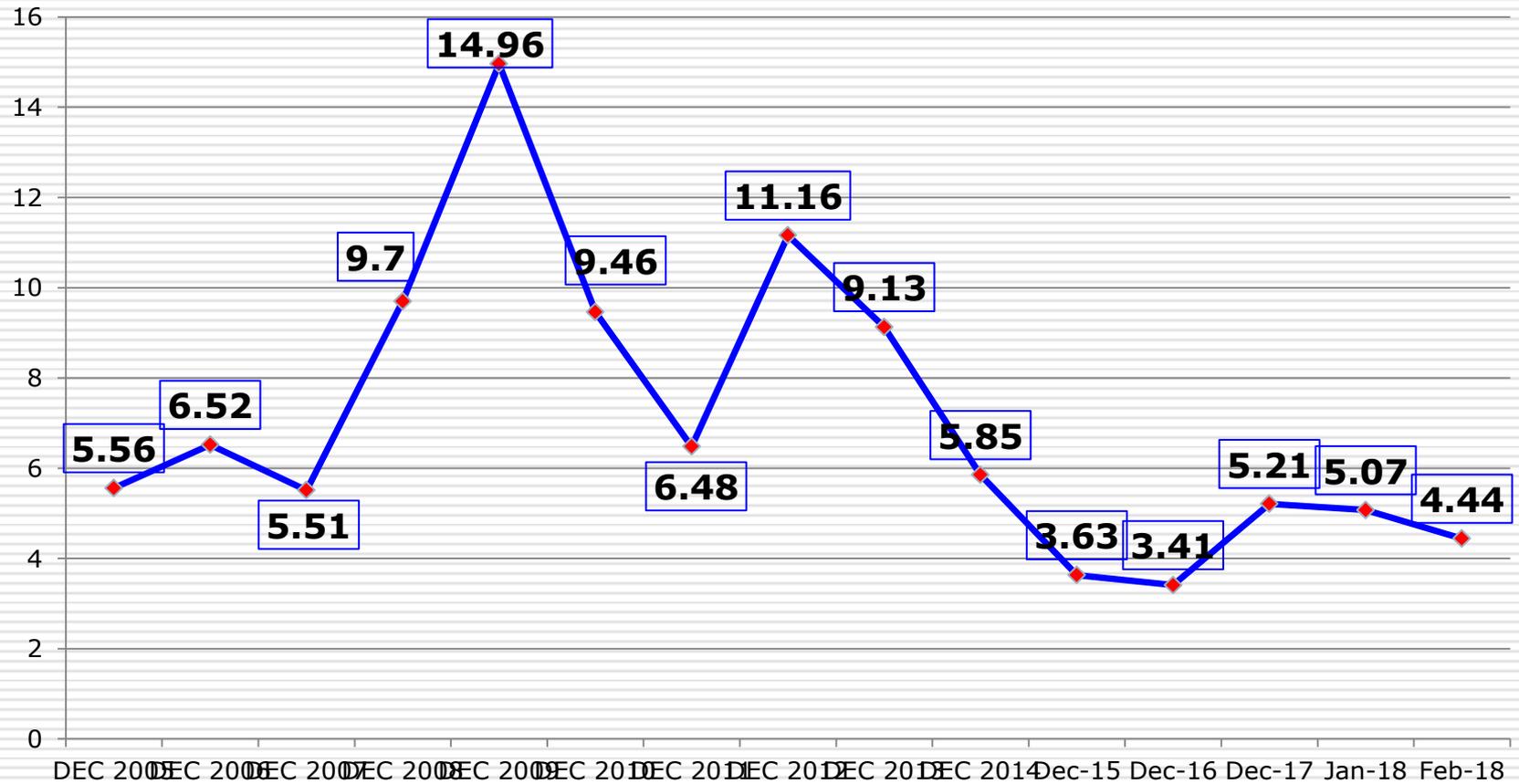
INFLATION CPI

Inflation Rate of Top 5 Countries
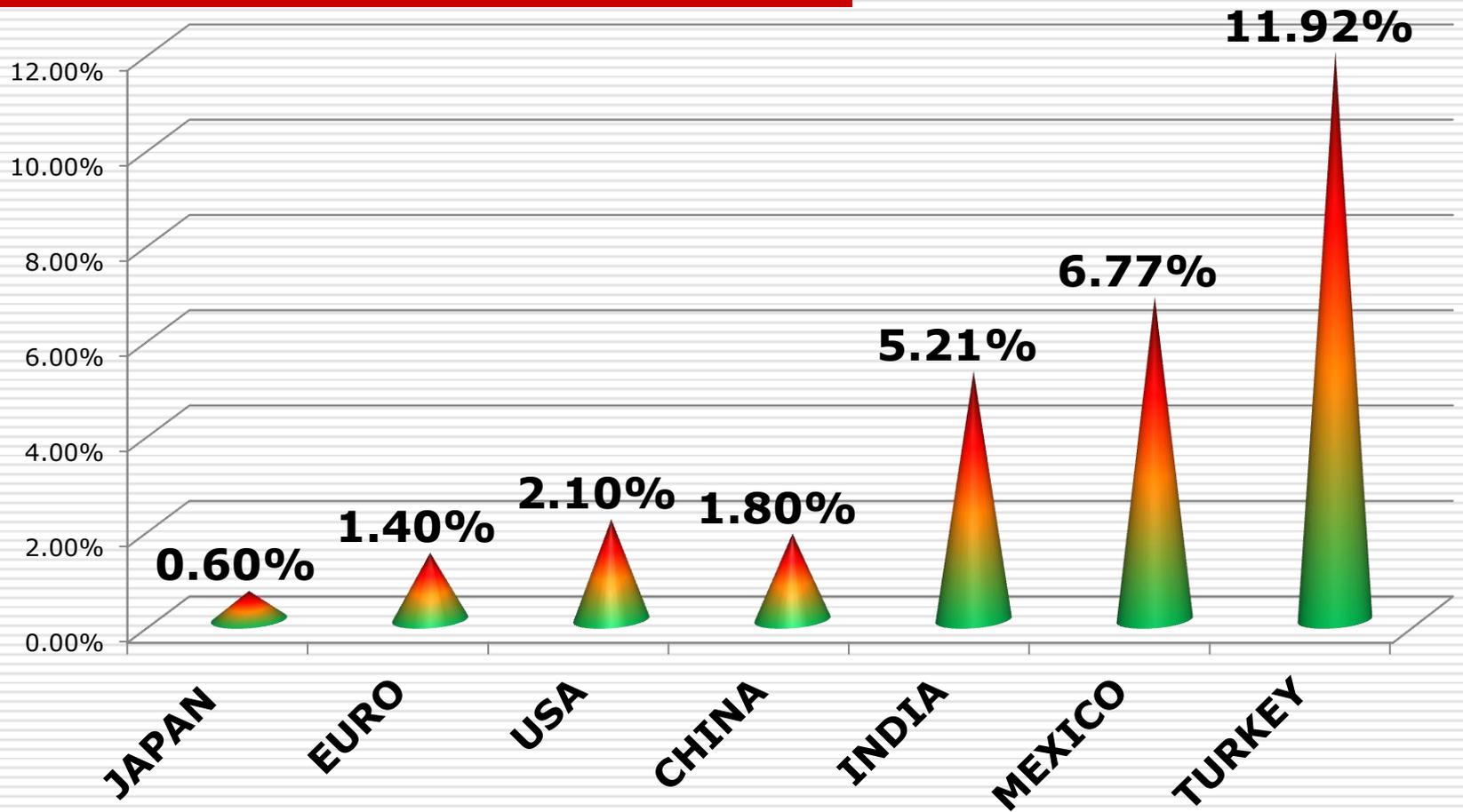
INTEREST RATES OF TOP 5 COUNTRIES

|				
-0.10%	**0.00%**	**1.50%**	**4.35%**	**6.00%**
JAPAN	**EURO**	**USA**	**CHINA**	**INDIA**

6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
-1.00%
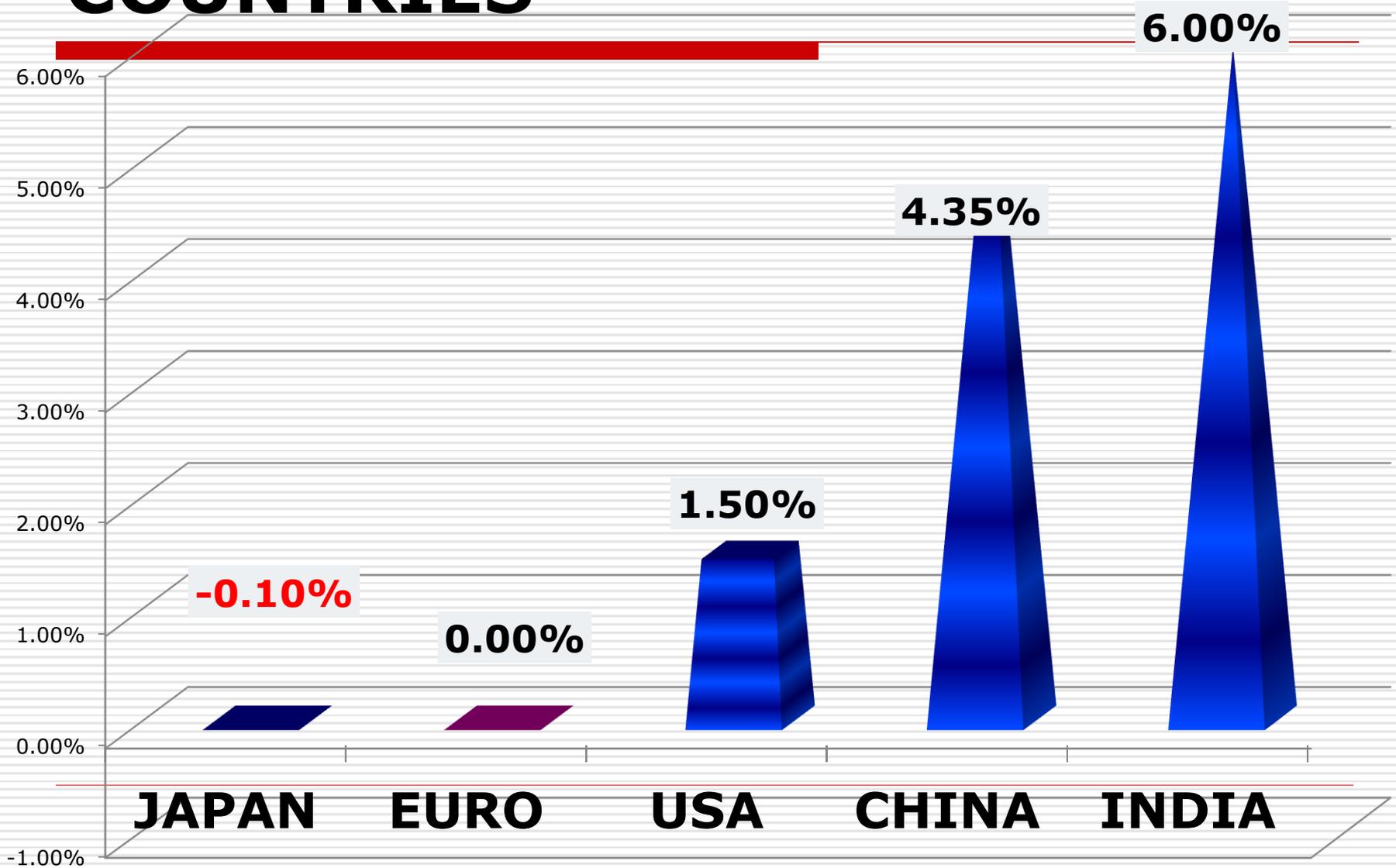
CURRENT ACCOUNT DEFICIT AS % TO GDP
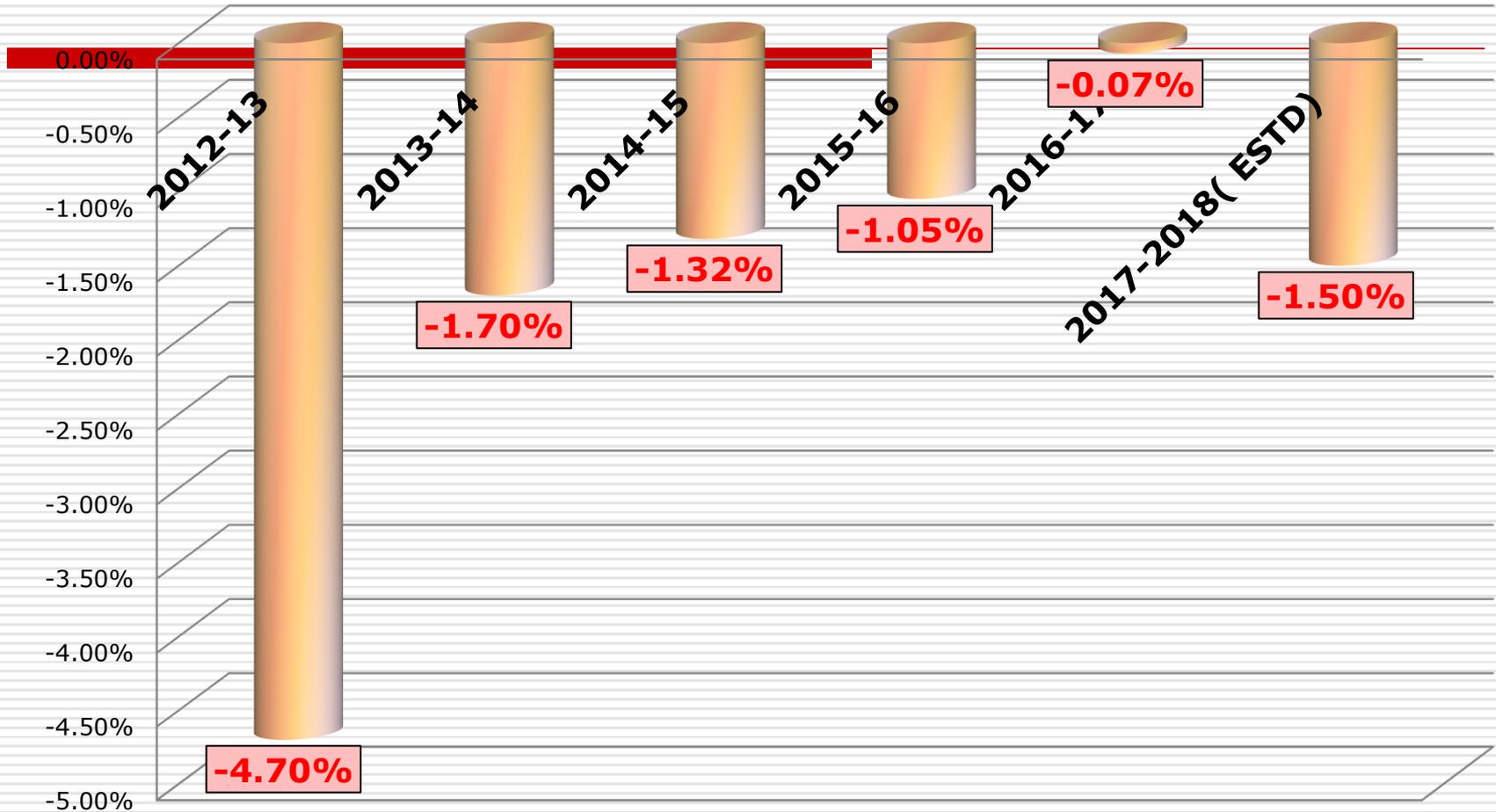
USD vs INR
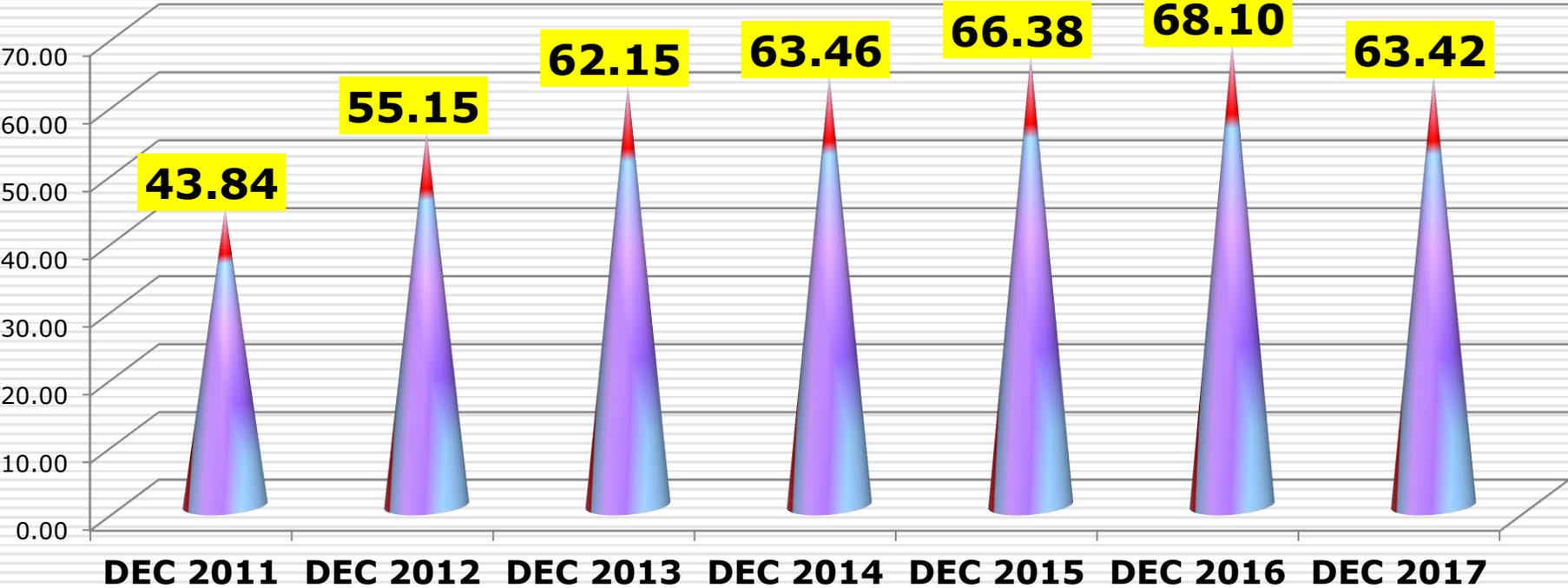
IMPORTS AND EXPORTS
IN USD BILLIONS

IMPORTS HAVE RISEN BY 23 %
EXPORTS HAVE RISEN BY 15%

- IMPORTS
- EXPORTS

354
259
437
297

2016   2017
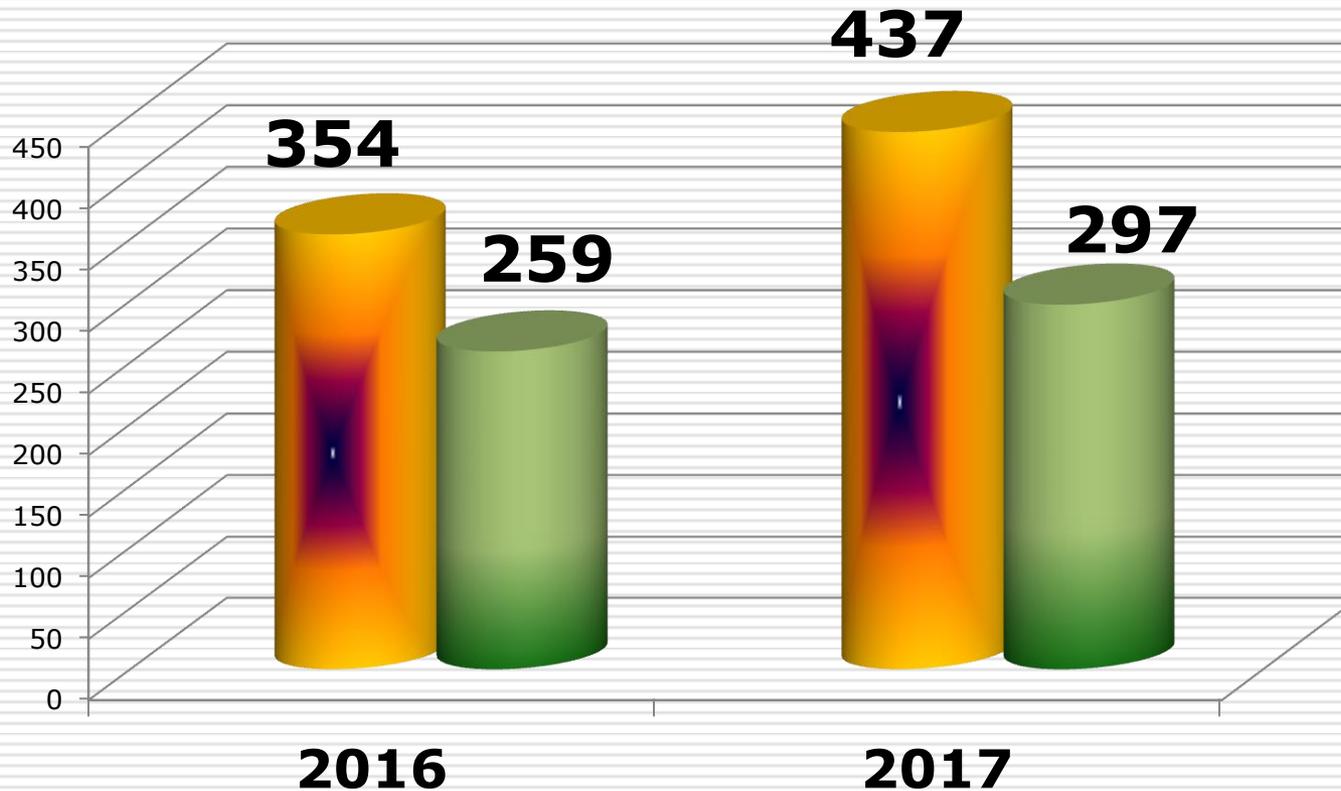
INDIA OIL IMPORTS USD BILLION

= 2016-17   **■ 2017-18 (estd)**

86

70
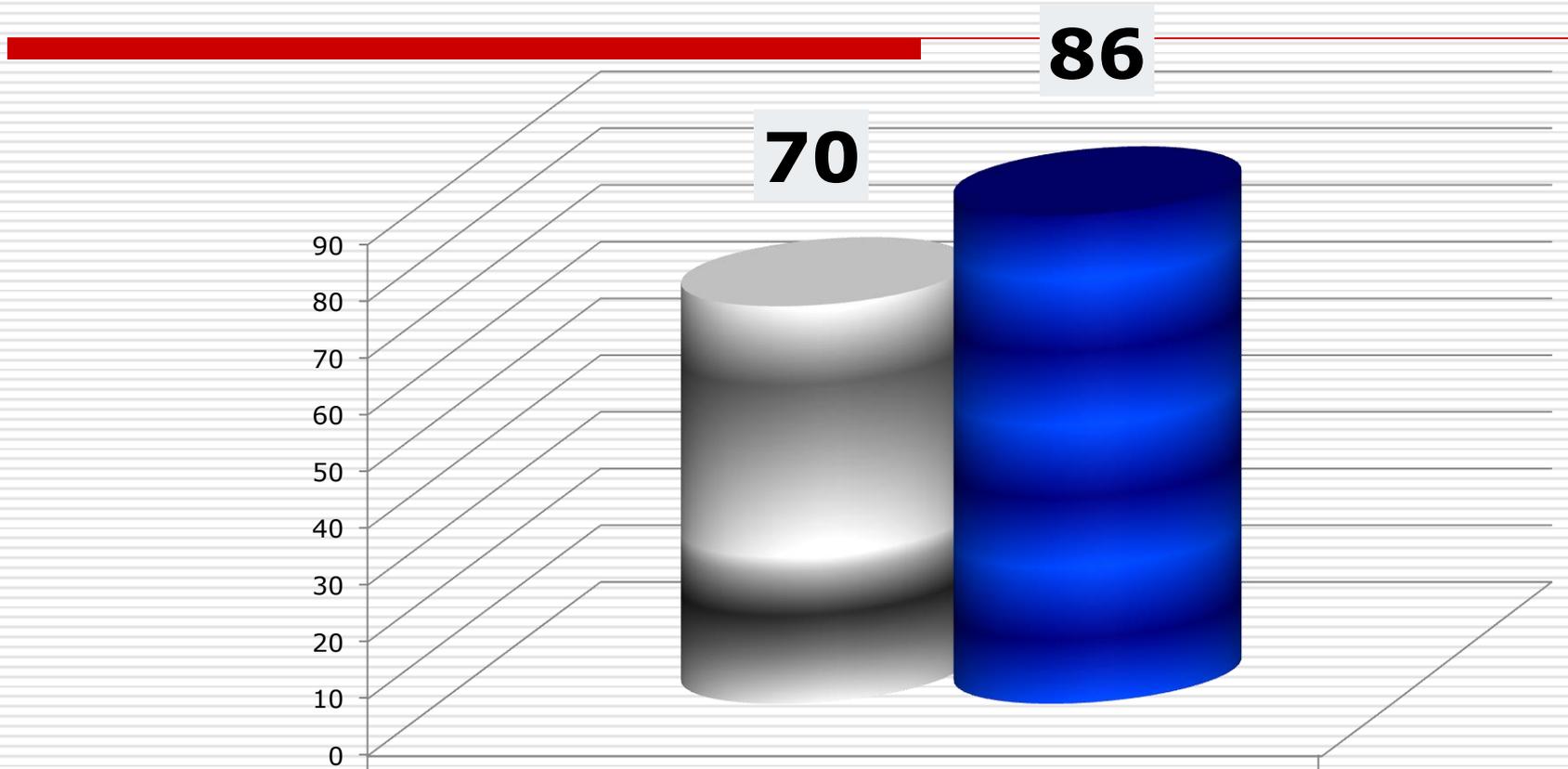
	1
90	
80	
70	
60	
50	
40	
30	
20	
10	
0	
2016-17	**70**
2017-18 (estd)	**86**

YEAR WISE FII AND DII INV IN '000 CR

FII's INVESTMENT IN '000 CR ■ **DII's INVESTMENT IN '000 CR**

113

97

67

51

90

35

18

20

2013 2014 2015 2016 2017

-28

-73
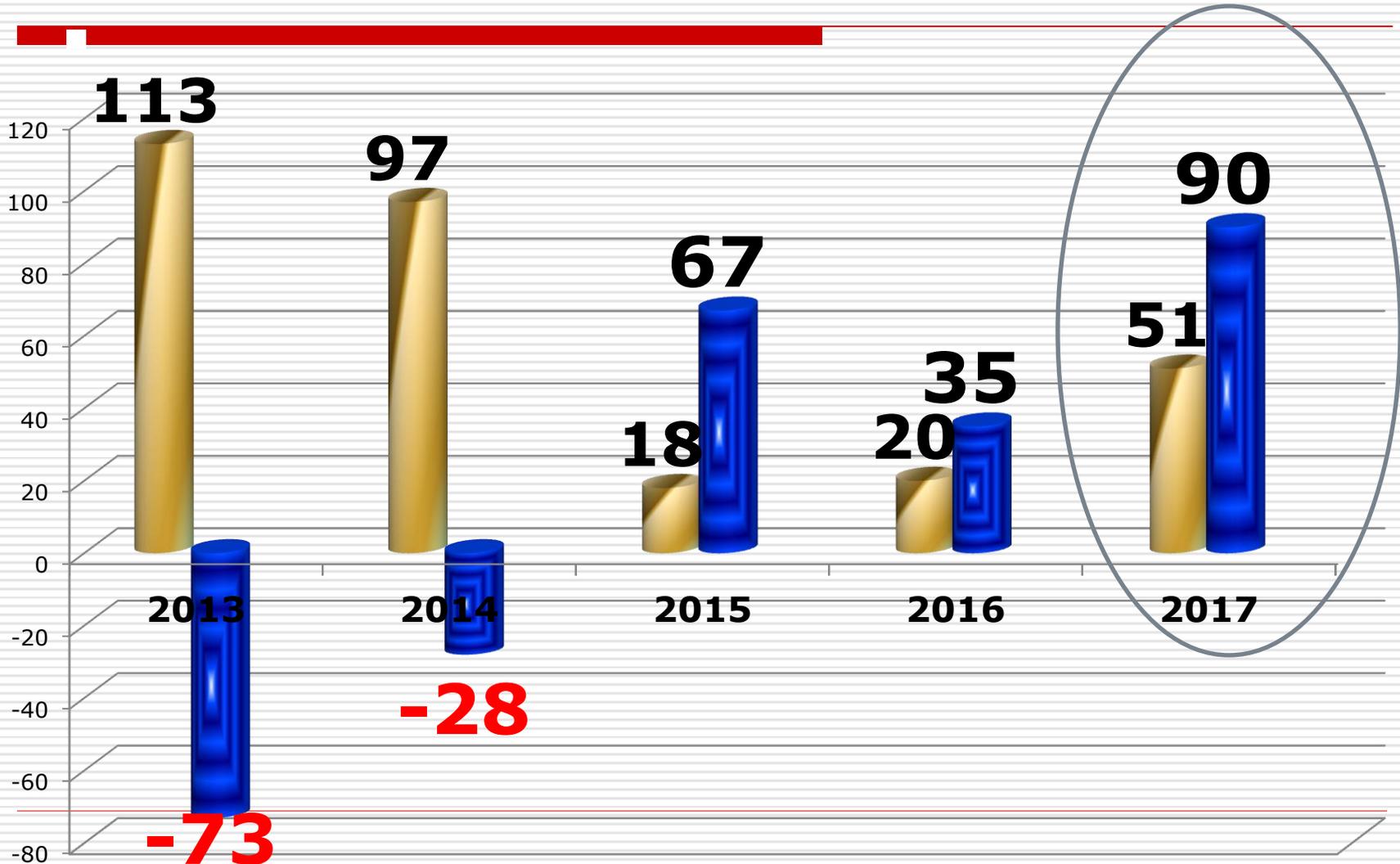
CALENDER YEAR WISE -FII & DII INVESTMENTS IN-
'*000 CR*
AND
% CHG IN BSE SENSEX

FII's INVESTMENT IN '000 CR

	2015	2016	2017
	18	20	51
	67	35	90
	-5	2	31
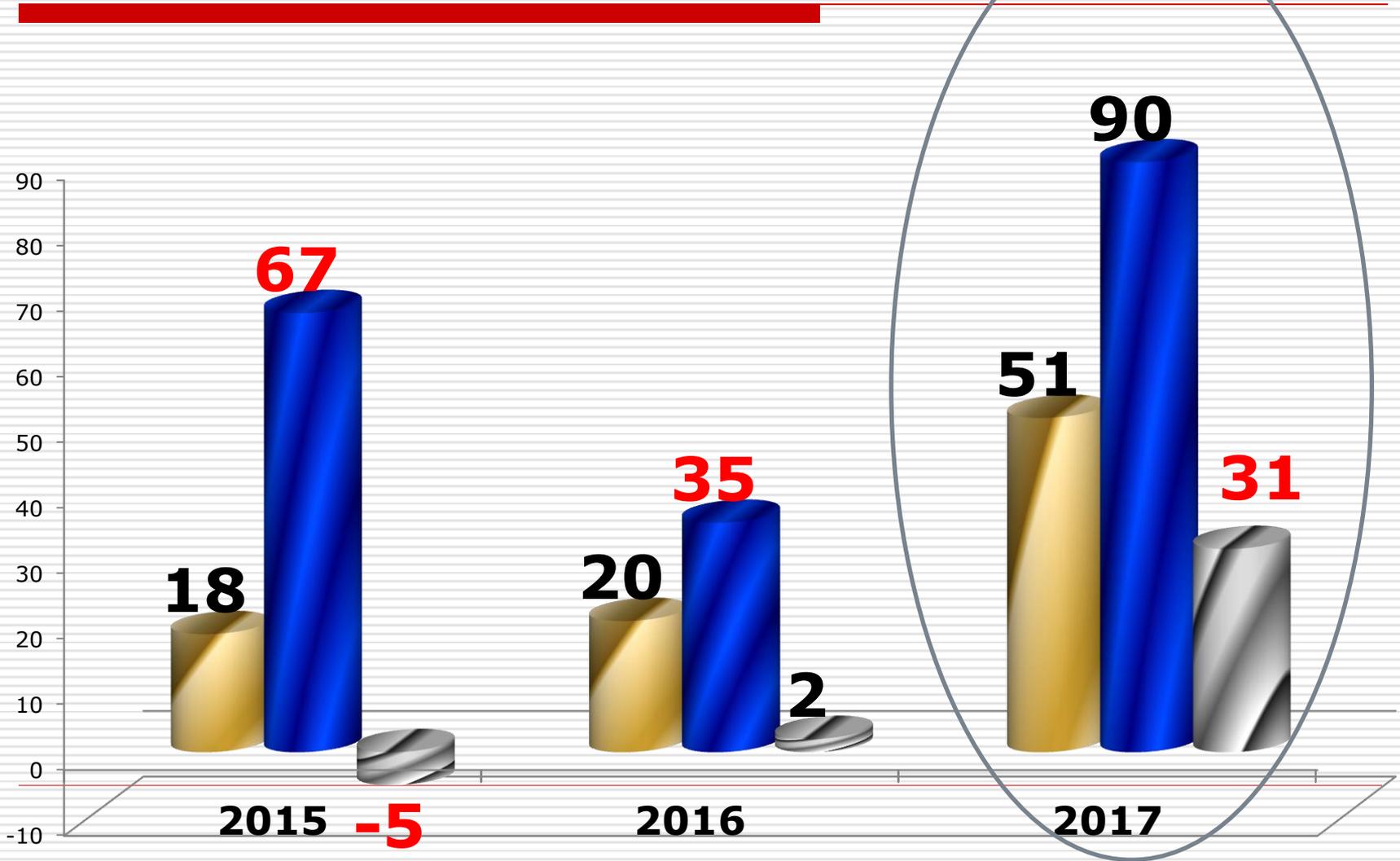
YEARLY % CHANGE IN NIFTY
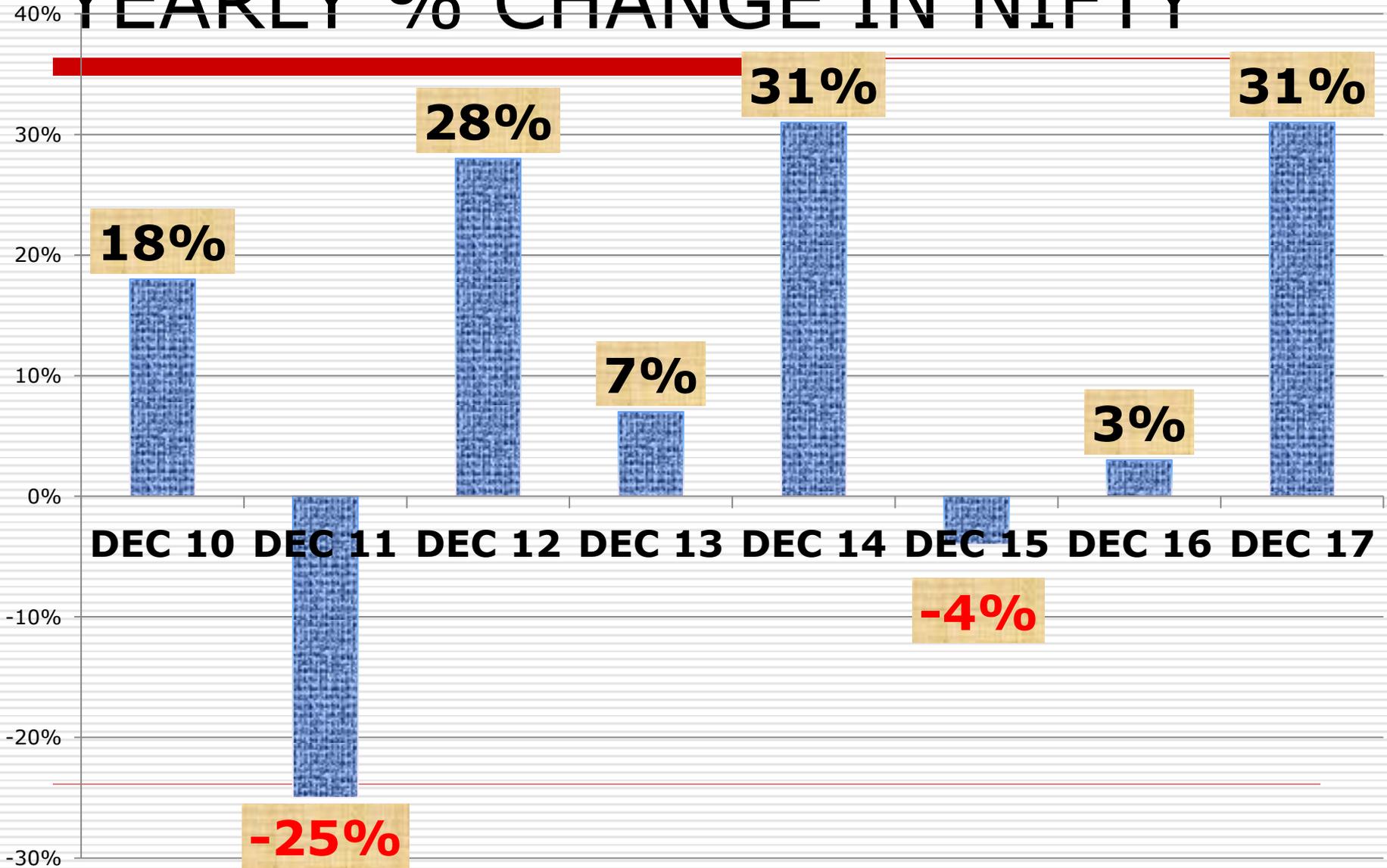
% Change in Index of World Economies in Last 1 Year
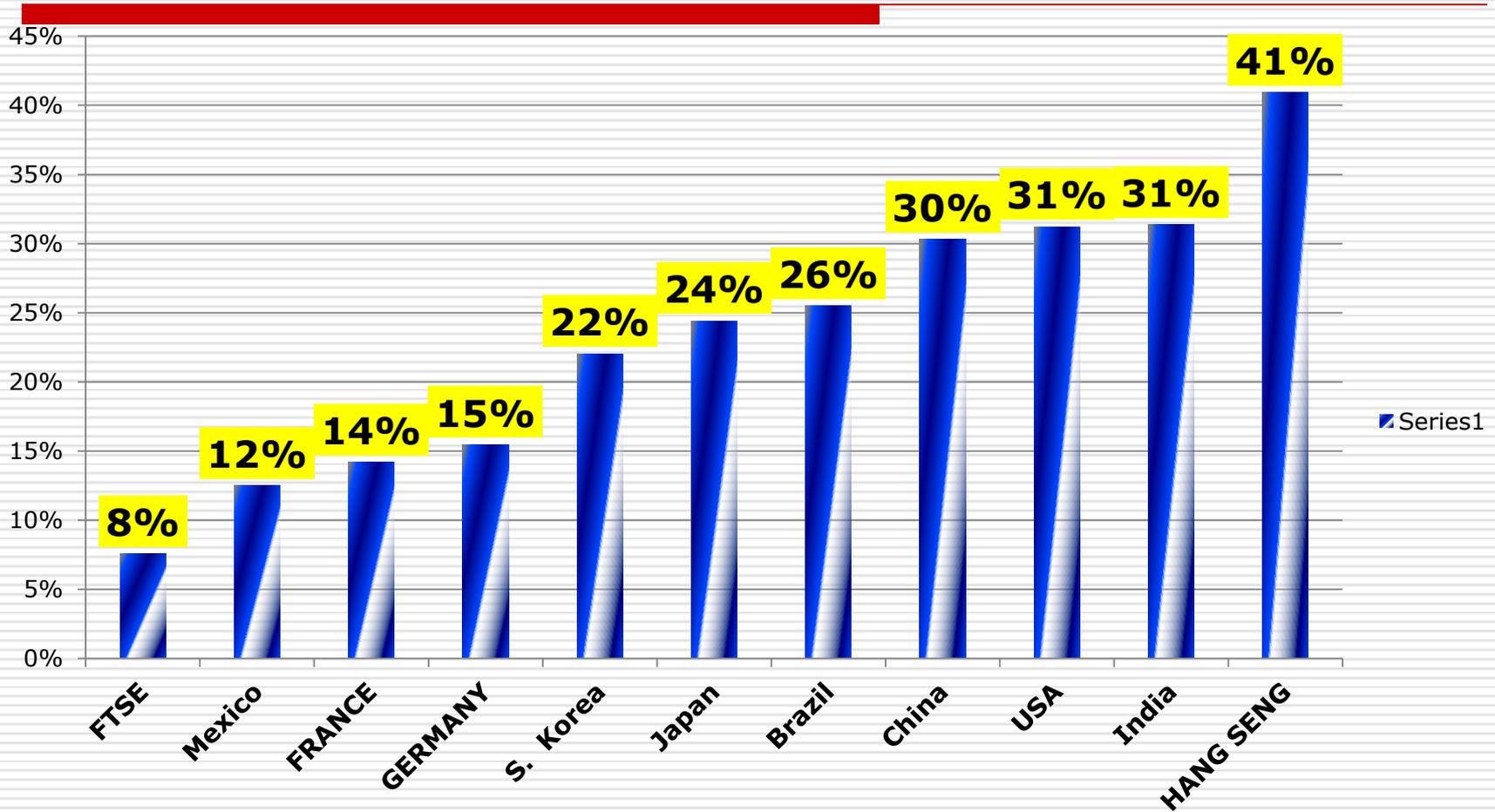
BSE vs DOW – LAST ONE YEAR

INDUSTRY

- ☐ INDUSTRY PROSPECTS
  - ■ Demand – Indian and Global
  - ■ Production Cost
  - ■ Government's Attitude
  - ■ Global Prices

COMPANY

- ☐ Quality of Management
- ☐ History of Growth and Dividend
- ☐ Competitive Edge
- ☐ Product Portfolio
- ☐ Financial Health
- ☐ Sales Growth rate
- ☐ Market Share

PHASES OF MARKET AND MARKET PSYCHOLOGY

- ❏ The Market (Price) Discounts Everything
- ❏ The Three Trends :-
    - ■ The Primary Trends :-
    - ■ The Secondary Trends :-
    - ■ The Minor Trends :-
- ❏ Primary trends cannot be manipulated; it would train the resources of the Apex bank of any country.
- ❏ The price movement can be compare with ocean waves.

00BSE Sensex 30 C (4,961, 4,973, 4,892, 4,963)

0 to 1 = First Intermediate Bull Run of a Major Bull Trend

1 to 2 = First Intermediate Correction/Decline

2 to 3 = Second Intermediate Bull Run

3 to 4 = Second Intermediate Correction/Decline
          Against The Major Trend

4 to 5 = Third Intermediate Bull Run In Line with Major
          Trend
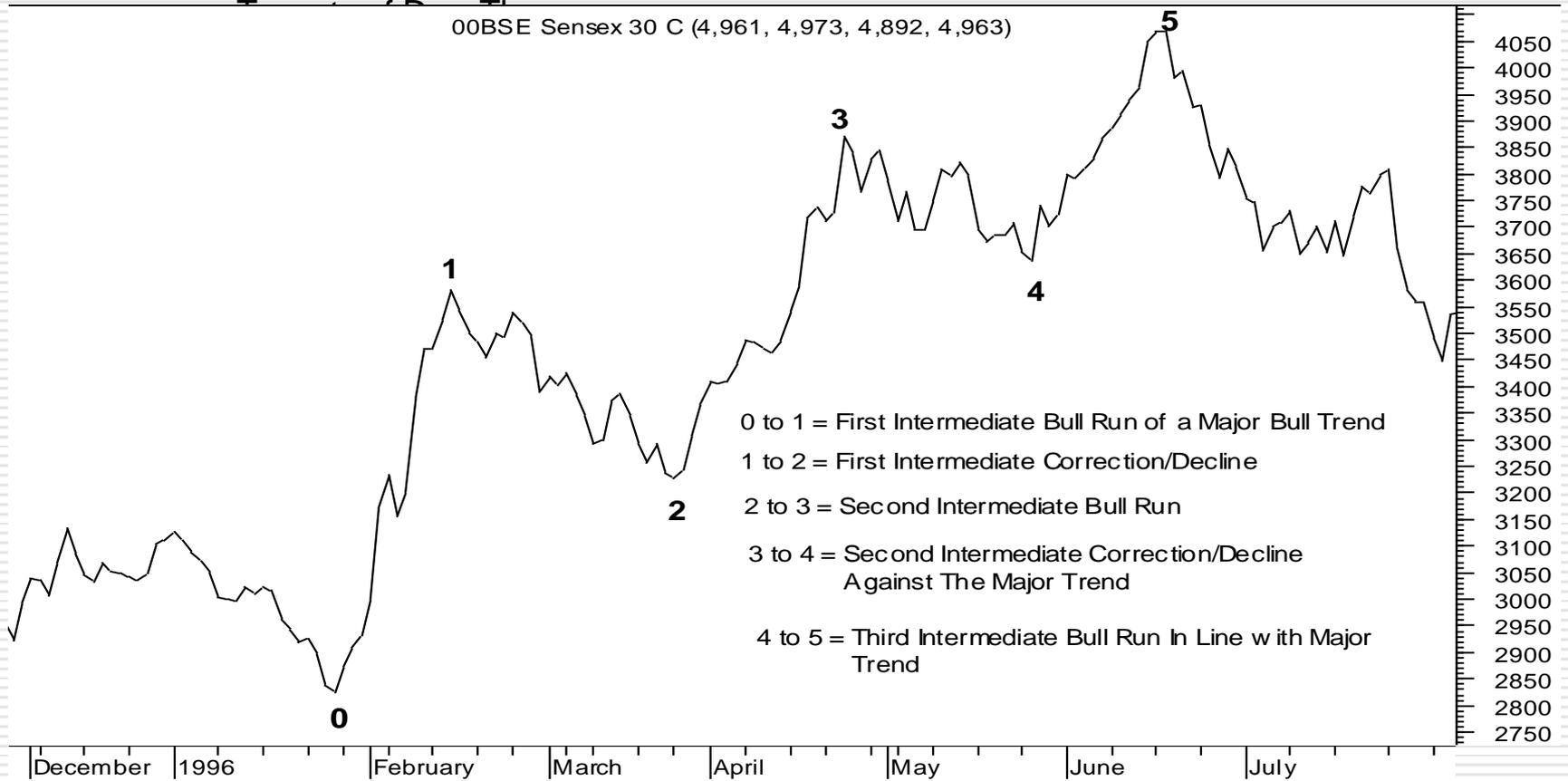
Major Trend Phases
BULL MARKET

The Bull Market **:-**

- ☐ Primary uptrends are usually (but not invariably) divisible into three phases .

- ☐ The first is the phase of accumulation during which farsighted investors, sensing that business, although now depressed, is due to turn up, are willing to pick up shares offered by discouraged and distressed sellers.

- ☐ Financial reports are still bad-in fact , often at their worst during this phase. The "Public" is completely disgusted with the stock market.

Major Trend Phases
BULL MARKET

- The second phase is one of fairly steady advance and increasing activity as the improved tone of business and a rising trend in corporate earnings begin to attract attention. It is during this phase that the "technical" trader normally is able to reap his best harvest of profits.

- Finally comes the third phase when the market boils with activity as the "public" flocks to the stockmarkets. All the financial news is good; price advances are spectacular and frequently "make the front page" of the daily papers; new issues are brought out in increasing numbers.

Major Trend Phases
BULL MARKET

- It is during this phase that one of your friends will call up and remark, "says, I see the market is going up. What's a good buy? " where it might be more appropriate to ask, "What's a good thing to sell? " In the last stage of this phase, with speculation rampant, volume continues to rise, but " air pockets" appear with increasing frequency; the "cats and dogs" (low-priced stocks of no investment value) are whirled up, but more and more to the top-grade issues refuse to follow.

Major Trend Phases
BEAR MARKET

- No two Bull/Bear Markets are exactly alike, Some may lack one or another of the three typical phases.

- *The third stage of a Bull Market, for example, the phase of excited speculation and great public activity, may last for more than a year or run out in a month or two.*

Major Trend Phases
BEAR MARKET

- ☐ Primary downtrends are also usually (but again, not invariably) characterized by three phases.

- ☐ The first is the distribution period (which really starts in the later stages of the preceding Bull Market).

Major Trend Phases
 BEAR MARKET

☐ The second phase is the panic phase. Buyers begin to thin out and sellers become more aggressive; the downward trend of prices suddenly accelerates in to an almost vertical drop.

Major Trend Phases
BEAR MARKET

- This is characterized by discouraged selling on the part of those investor who held on through the panic or, perhaps, bought during it because stocks looked cheap in comparison with prices which had ruled a few months earlier.

Major Trend Phases
BEAR MARKET

- As the third phase proceeds, the downward movement is less rapid, but is maintained by more and more distressed selling from those who have to raise cash for other needs. The "cat and dogs advance " may lose practically all their previous Bull advance in the first two phases. Better grade stocks decline more gradually, because their owners cling to them to the last, and the final stage of a Bear Market, in consequence, is frequently concentrated in such issues.

Major Trend Phases
BEAR MARKET

- The Bear Market ends when everything in the way of possible bad news, the worst to be expected, has been discounted, and it is usually over before all the bad news is "out." So even after the market has bottomed out in the early stages of ensuing Bull run , news continues to be bad but prices fail to fall furthur. For example , In or around Oct-Nov 98 Telco declared huge losses but the prices started looking up.

--Nifty 50 (10,151.65, 10,279.85, 10,111.30, 10,128.40, +14.7002)

11016
JAN 2018

8937
MAR 2015

23.3.18
9998

6312
OCT 2010

7985
DEC 2016

6980
FEB 2016

4624
DEC 2011

2719
FEB 2009

TECHNICAL ANALYSIS

WHAT IS TECHNICAL ANALYSIS ?

- ❑ Technical analysis is basically studying the price action or behavior only.

- ❑ There is a Chinese proverb which says : A single picture speaks more than a 1000 words.

- ❑ Technical analysis is an organized and systematic study of market action through use of charts, of a particular scrip or index for the purpose of identifying trend changes at an early stage with the help of price and volume data of any scrip, index, commodities, currencies….

BASIC PRINCIPLES OF TECHNICAL ANALYSIS

1. **Price discounts everything. Price is supreme**.

- The price which of any scrip is the result of all the factors affecting it , which are far reaching and to narrate a few it may be -

- MICRO FACTORS :-the industry prospects to which the company belongs or the performance of the company or the management of the company, brand image of the company, monopolistic element, competitors strength, financial strength and in country like India political strength may too play an important role in determining the price of particular scrip.

BASIC PRINCIPLES OF TECHNICAL ANALYSIS

- ■ MACRO FACTORS:- Global Economical and Political conditions, economic health of the country like – GDP growth, Fiscal Deficit, Current Account Deficit, Trade Balance, Inflation, Industrial Production, Business and Consumer Sentiments, climatic conditions, Political Condition etc.

MACRO FACTORS

- They are also reflection of hopes , fears, knowledge, optimism and greed of the investing public.

- The sum total of these emotions are expressed in the price level.

- KEYNES:" We are not concerned with what an investment is really worth but what the market will value it under the influence of mass psychology "

BASIC PRINCIPLES OF TECHNICAL ANALYSIS

- Market has Rhythm and it does not move in random hence it is possible to interpret the market.

- Once the trend is set it continues in that direction and before reversing its direction it will give proper signals indicating change of trend .

BASIC PRINCIPLES OF TECHNICAL ANALYSIS MARKET HAS RYTHM

00BSE Sensex 30 C (5,487, 5,556, 5,487, 5,541)
1- MARKET MOVES IN RYTHM

BASIC PRINCIPLES OF TECHNICAL ANALYSIS

- ☐ Once the trend is set it continues in that direction and before reversing its direction it will give proper signals indicating change of trend .

- ☐ History repeats. What has happened in the past will happen in future. This is because human nature tends to react to similar situations in consistent ways. Human nature does not change .

- ☐ The market moves are cyclical and repetitive.

BASIC PRINCIPLES OF TECHNICAL ANALYSIS

- **Market discounts future**. Market is usually ahead of news. The reason is , market has collective intelligence , which is supreme

- Only market can foresee not any single individual

- Teji starts when there is no hope and all is bad around you.

- So Teji starts in gloom and Mandi starts in Boom.

# BASIC PRINCIPLES OF TECHNICAL ANALYSIS

- ☐ Technical analysis is workable in any free market economy

- ☐ Technical Analysis is complete tool in itself and can be applied for **Trading and Investments** in all types of financial and commodities market

BASIC DEFINITIONS/TERMINOLOGY:-

- ☐ Line Chart :- Chart drawn on the basis of daily closing prices of each script.
- ☐ Bar Chart :- Open High Low Close Bar for each day
- ☐ Volume :- The number of shares traded during a trading session .
- ☐ Stop Loss: When a trader enters into any long /short position it is necessary for him to determine the stop loss level and to book loss if the market moves against him
- ☐ A price chart is a pictorial presentation of price movement by plotting price on Y axis and date on X-axis ..
- ☐ Speculation and Gambling : - Speculation is generally a dirty word in stock market and usually misunderstood. Speculation is intelligent reasoning of mind. Speculation is not equal to gambling .

LINE CHART – Connects the closing prices of a scrip.

LINE CHART CONNECTING THE DOTS WHICH REPRESENTS CLOSE PRICE OF EACH DAY. THE LINE CHART IGNORES THE DAILY OPEN, HIGH AND LOW PRICES OF THE DAY.
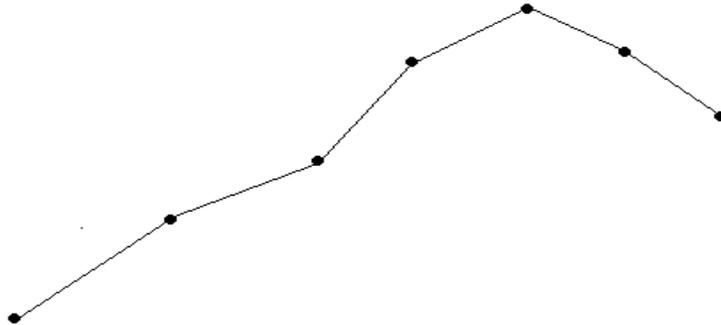
BAR CHART – OPEN HIGH LOW CLOSE
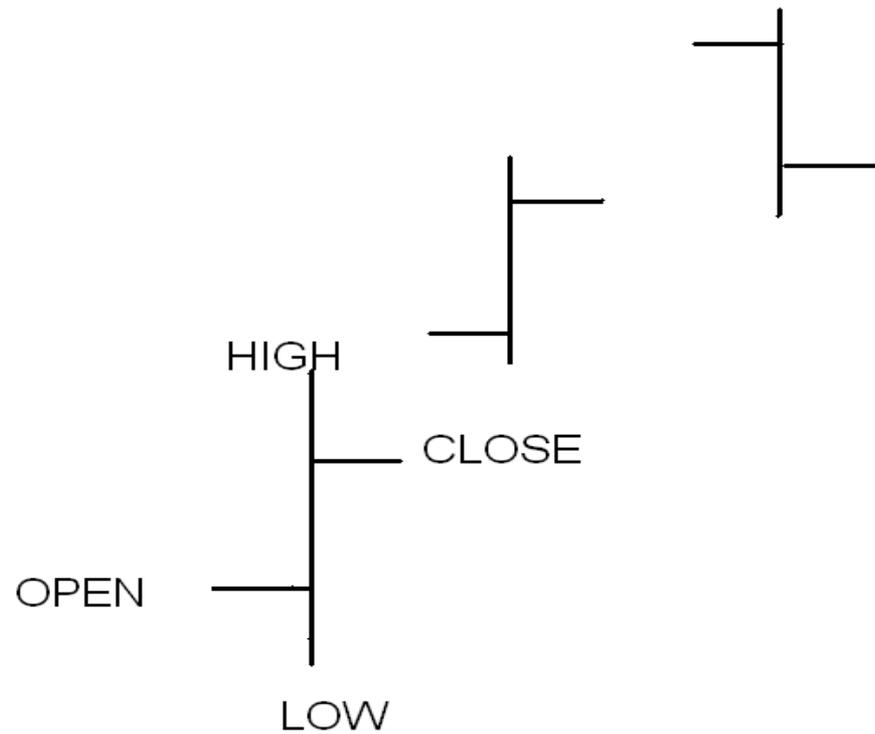
SUPPORT & RESISTANCE

- The support price means the floor price at which the falling prices take support and bounces back from that level , and resumes its upward journey .Similarly Resistance is the roof where the prices hit and retraces and fall backs perhaps to take support at lower levels. There are various support/resistance levels which are described hereunder ;-
  - The previous important tops/bottoms acts as important support/resistance or resistance/support levels
  - The falling prices may take support at rising moving average , may be 30 days moving average or 200 days moving average and so on . Similarly the rising prices may face resistance at falling moving averages.
  - The trendlines act as important support & resistance levels

IMPORTANT REVERSAL & CONTINUATION PRICE PATTERNS

- HEAD & SHOULDER REVERSAL PATTERN
  - Head is above left and right shoulder
  - Volume behavior
  - Breakout and pull back
  - Stop loss
  - Minimum target

HEAD & SHOULDER REVERSAL PATTERN

00BSE Sensex 30 C (5,487, 5,556, 5,487, 5,541)

head

left shoulder

right shoulder

neckline

4200
4150
4100
4050
4000
3950
3900
3850
3800
3750
3700
3650
3600
3550
3500
3450
3400
3350
3300
3250
3200
3150
3100
3050
3000
2950
2900
2850
2800
2750
2700
2650
2600

December 1996 | February | March | April | May | June | July | August | September | November

TECHNICAL ANALYIS
TATA STEEL

TATA STEEL LIMITED (574.600, 586.000, 572.400, 583.450, +20.7000)

HEAD AND SHOULDER GBP - INR

GBPINR-NSE TRADED (96.0500, 96.5200, 96.0500, 96.4400, +0.69750)

HEAD

104

MULTIPLE LEFT SHOULDER

MULTIPLE RIGHT SHOULDER

98

MINIMUM TARGET = 94

HEAD & SHOULDER REVERSAL PATTERN

☐ **CONTROVERSIAL DECISION OF UTI IN BUYING RELIANCE**

NIFTY

--3CNX NIFTY FUTURE (8,137.00, 8,164.75, 8,055.25, 8,141.60, +5.25000)

INVERTED HEAD AND HSOULDER BULLISH PATTERN

NECKLINE

RIGHT SHOULDER

LEFT SHOULDER

HEAD

ISLAND REVERSAL

- ☐ The Island Reversal sends the prices back for a complete retracement of the move which preceded it.

- ☐ The gaps at either end occur at the same level , such that the whole area stands out as an island on the chart , isolated by the gaps

ISLAND REVERSAL WIPRO

WIPRO LTD (458.450, 474.050, 458.000, 471.450, +16.5000)

WIPRO 2000
ISLAND REVERSAL

TRENDLINES

- Prices move in Trends , and amazingly TREND LINES can be plotted with a straight edge ruler . This phenomenon is in truth the most fascinating , impressive and mysterious of all the stock charts .

- How To Draw Trendlines : In an uptrend the trend line(s) (straight line) is drawn connecting the bottom tips while in an downtrend the trendline is drawn connecting the upper tips of the swing.

TRENDLINES

00BSE Sensex 30 C (5,487, 5,556, 5,487, 5,541)

uplsoping trendline

TRENDCHANNELS

03IOC (F&O) (440.0, 443.0, 428.5, 433.0)

minimum target=475

Channel Trendline

* = point of breakout.

TREND CHANNEL ON NIFTY
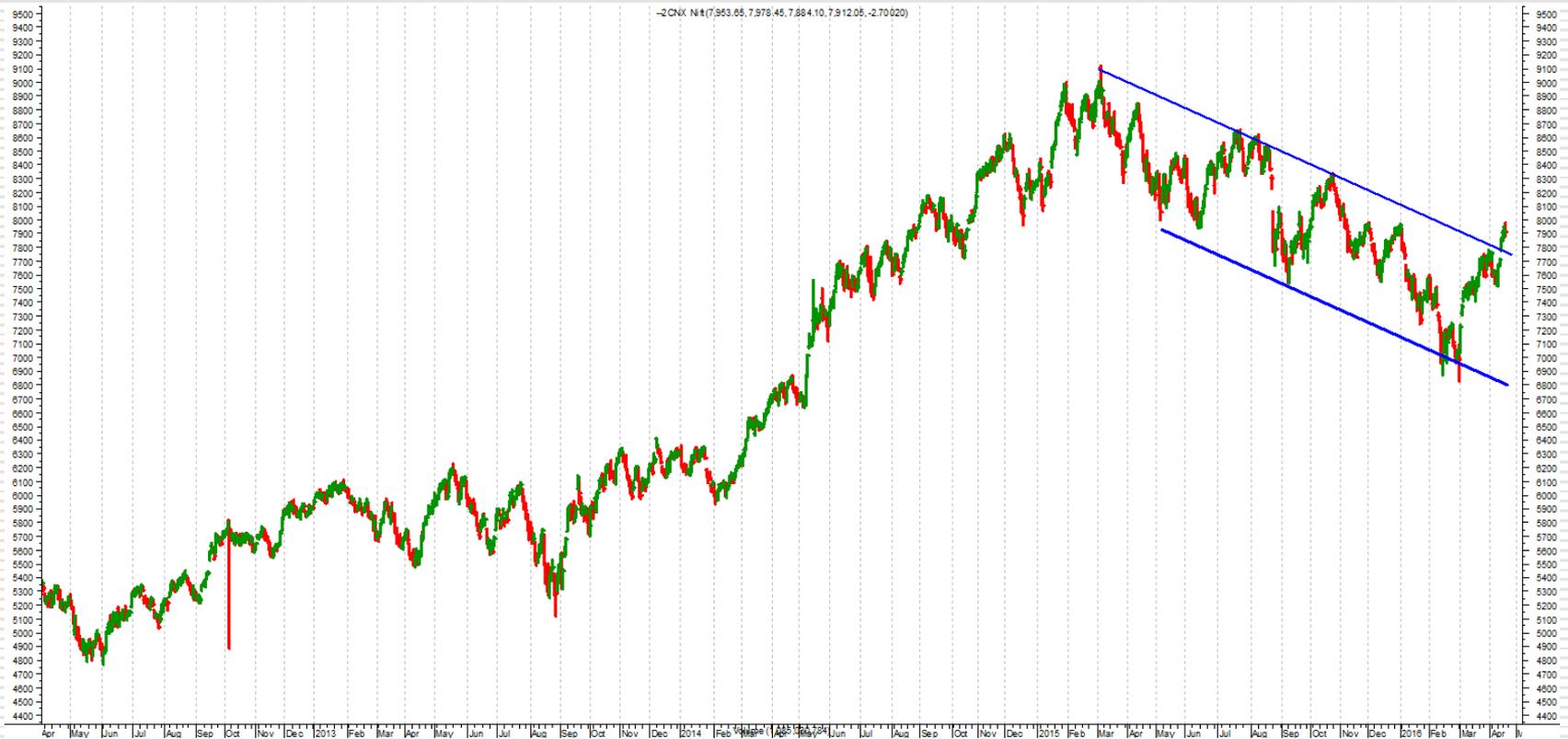
MOVING AVERAGES

- A moving average is a statistical device which smoothens out the erratic price fluctuations and gives us a smooth curve indicating the direction of the trend .A moving average (MA) shows the average value of data in its time window. A 5-day MA shows the average price for the past 5 days, a 20 day MA shows the average price for the past 20 days, and so on.

- *TYPES OF MOVING AVERAGE* :-

- There are three main types of moving averages: simple, exponential, and weighted.

MOVING AVERAGE

DATE	CLOSE	TOTAL OF 5 DAYS	MOVING AVERAGE OF 5 DAYS
4/3/2013	28823		
4/4/2013	28968		
4/5/2013	29045		
4/6/2013	29522		
4/8/2013	29302	145660	29132
4/9/2013	29409	146246	29249.2
4/10/2013	29025	146303	29260.6
4/11/2013	28974	146232	29246.4
4/12/2013	27970	144680	28936
4/13/2013	27708	143086	28617.2
4/15/2013	25458	139135	27827
4/16/2013	25649	135759	27151.8
4/17/2013	25572	132357	26471.4
4/18/2013	25598	129985	25997
4/19/2013	25708	127985	25597
4/20/2013	25959	128486	25697.2

MOVING AVERAGES

- *TRADING RULES :-*
- Moving averages help us to trade in the direction of the trend.
- It shows the direction of the market's inertia.
- Buy when prices cross above the moving average.
- Sell when prices cross below the moving average.

MOVING AVERAGES

00BSE Sensex 30 C (5,487, 5,556, 5,487, 5,541)

30 DAYS EXPONENTIAL MOVING AVERAGE

NIFTY –NOV 2017 – APRIL 2018

EICHER MOTOR AND 200DMA

EICHER MOTORS (19,945.00, 20,325.00, 19,850.00, 20,148.40, +203.000)

GOLD 200 SMA

GOLDM (26,840.00, 26,869.00, 26,454.00, 26,564.00, -242.000)
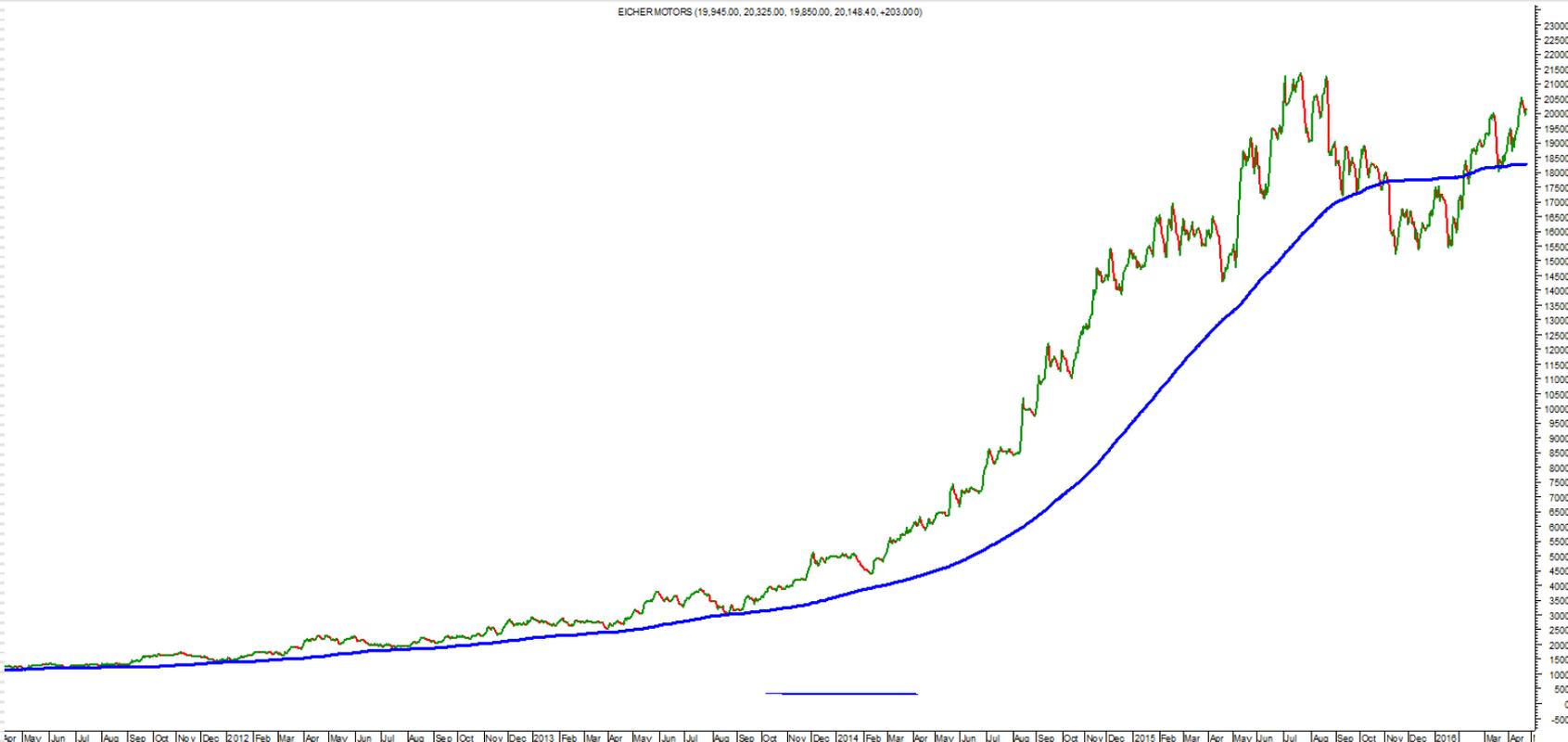
USD INR

JAPANESE CANDLESTICK INTRODUCTION

- ☐ JC is one of oldest and powerful technique of Technical Analysis

2 BASIC DEFINITION

- THE BODY : The box that makes up the difference between the open and close is called as the real body of the candlestick . The height of the body is the range between the day's open price and the day's close price . When the body is black , it means that the closing prices was lower than the opening price . When the closing price is higher than the opening , the body is white.

BASIC DEFINITION

- THE SHADOWS : The Japanese candlestick line may have small thin lines above and or below the body. These lines are called shadows and represent the high and low prices reached during the trading day. The upper shadow represent the high price and the lower shadow represents the low price.

# JAPANESE CANDLESTICK

:

REVERSAL CANDLE PATTERN BULLISH ENGULFING PATTERN

- The engulfing pattern is one of the most reliable Japanese candle stick pattern. It is a major reversal pattern and indicates shift of trend
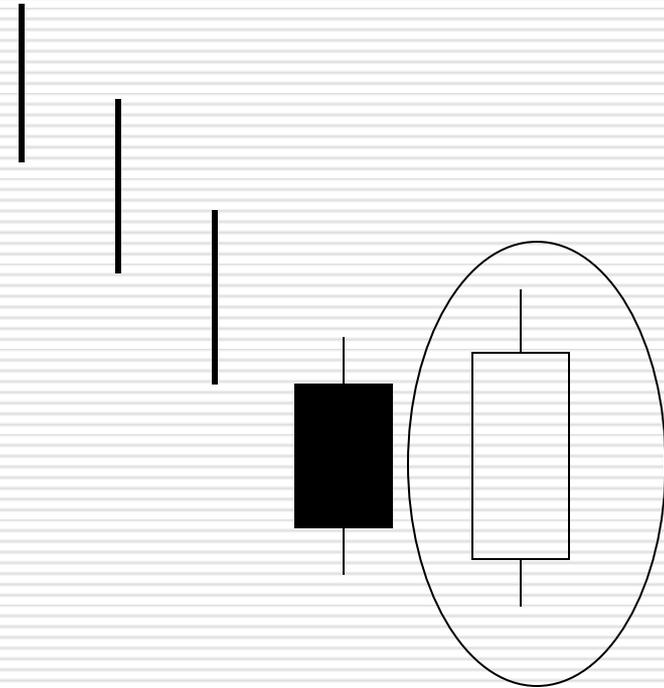
JAPANESE CANDLE STICKS ENGULFING PATTERS
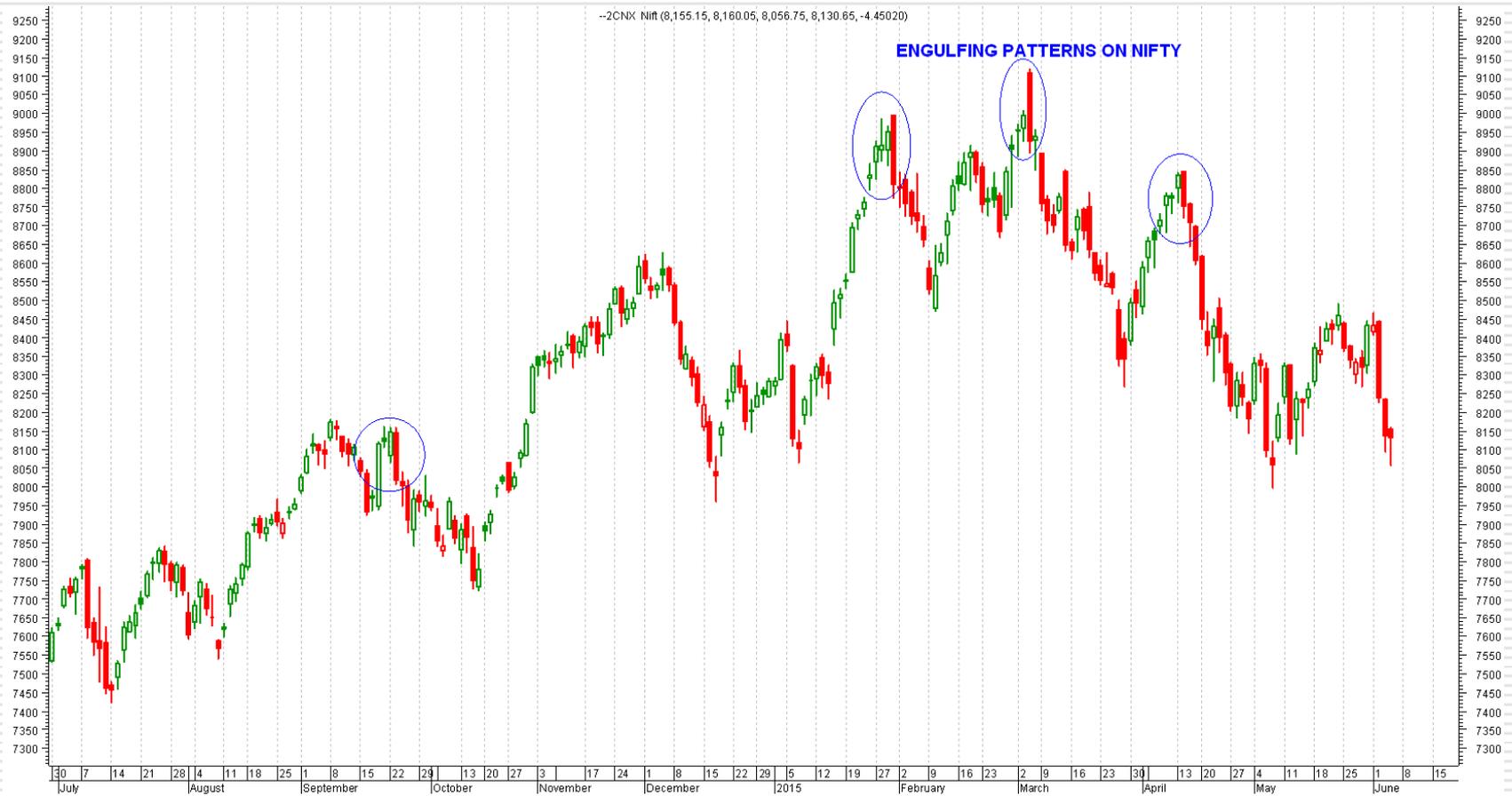
BEARISH ENGULFING PATTERN
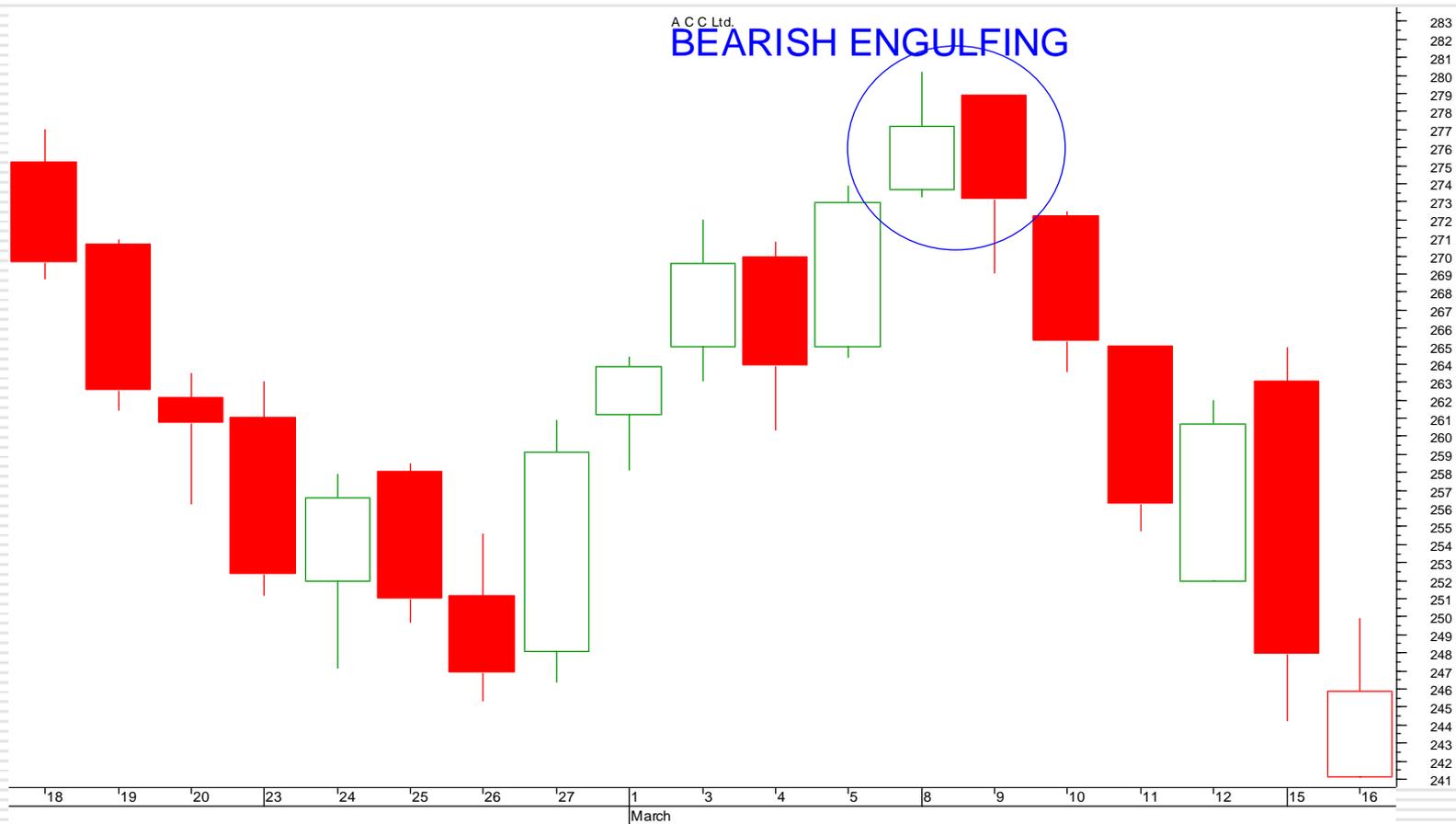
INFOSYS WEEKLY

INFOSYS TECHNOLO (1,616.00, 1,727.00, 1,590.00, 1,718.15, +114.100)

WEEKLY ENGULFING

BULLISH ENGULFING PATTERN
RELIANCE IND. 08.08.2006

RELIANCE INDS (2,658.00, 2,658.00, 2,595.50, 2,617.35, -50.5498)

R

BULLISH ENGULFING PATTERN

JC IN ACTION- BSE30 OCT07 TO DEC07

AT THE END

- Japanese Candlestick is a powerful tool of technical analysis and gives indication of change of trend or direction of trend very early.

- There are many more patterns.

- Each pattern has its definite set of rules of recognition and each rule is required to be carefully followed while trading or investing in stock markets.

TRADING

- ☐ **FUTURES AND**
- ☐ **OPTIONS**

RULES OF TRADING

- ☐ Do not buck the trend. Make trend your Friend.
- ☐ When in doubt get out.
- ☐ Do not get in, when in doubt. Never buy or sell if you are not sure of the trend according to the chart.
- ☐ Never overtrade.
- ☐ Trade with higher base i.e. higher qty in the beginning and keep on adding smaller qty as the prices move up. Do not do reverse pyramiding

RULES OF TRADING

- Never let a profit run into loss. After you once have profit , raise your stop loss , so that you will have no loss of capital. Never cancel a stop loss order after you have placed it at the time you make a trade

- Use stop loss orders. Always protect a trade when you make it with a stop loss order. Make sure to exit on stop loss.

RULES OF TRADING

- ☐ Trade only in active stocks . Keep out of slow , dead ones.
- ☐ Do not close your trades without good reason. Follow up with a stop loss order to protect your profits.
- ☐ Never buy just to get dividend.
- ☐ Never average a loss. This is one of the worst mistakes a trader or investor can make.

RULES OF TRADING

- Never get out of the market just because you have lost patience or get into the market because you are anxious from waiting.

- Avoid taking small profits and big losses.

RULES OF TRADING

- ☐ Avoid getting in and out of the market too often

- ☐ Be just as willing to sell short as you are to buy. Let your object be to keep the trend and make money.

- ☐ Never buy just because the price of a stock is low or sell short just because the price is high.

RULES OF TRADING

- Do not Hedge with another stocks . If you are long on one stock and it starts to go down , do not sell another stock short to hedge it. Get out at the market   take your loss and wait for another opportunity.

RULES OF INVESTING

- ☐ Do enter into cats and dogs
- ☐ Invest in Dividend paying companies but not for dividend
- ☐ Invest in companies having growth, quality management and good product profile
- ☐ Churn your portfolio according to industry prospects

ALGO TRADING

- ALGO TRADING IS SHORT FORM OF ALGORITHM TRADING.
- TRADING THROUGH COMPUTERIZED AUTOMATIC TRADING SYSTEM.

ALGO TRADING

- There are various ways / forms of Algo Trading, to illustrate a few like

  - Slicing
  - Arbitrage
  - Scalping
  - HFT
  - Computerized Trading

ALGO TRADING COMPUTERIZED TRADING

- ☐ Receive the live Streaming Prices.
- ☐ Computers do the calc on realtime basis and generates Buy or Sell Signals.
- ☐ The Signals are transmitted to the NSE and orders executed.
- ☐ Stop loss and profit booking orders are also introduced

Algo Trading

- ☐ Design Strategy
- ☐ Coding the strategy
- ☐ Automatic Execution of trades on the basis of strategy without human interference.
- ☐ Every Expiry transfer profits to your bank accounts

DISCLAIMER

- THE PRESENTATION WAS ONLY FOR ACADEMIC PURPOSE. PLEASE CONSULT YOUR CERTIFIED FINANCIAL ADVISOR BEFORE TAKING ANY DECISION.

POWER OF TECHNICAL ANALYSIS

- ☐ THE RULES OF TECHNICAL ANALYSIS ARE APPLICABLE TO ALL TYPES OF MARKETS LIKE COMMODITIES, CURRENCIES, ETC. WHERE EVER THE PRICES ARE DETERMINED BY THE FREE FORCES OF DEMAND AND SUPPLY.

- ☐ IT IMPLES TECHNICAL ANALYSIS CAN WORK IN FREE MARKET ECONOMY WHEREIN THE PRICES OF ANY SCRIP,COMMODITIES CURRENCIES ETC IS DETERMINED BY THE FORCES OF DEMAND AND SUPPLY.

DISCLAIMER

- THE PRESENTATION WAS ONLY FOR ACADEMIC PURPOSE. PLEASE CONSULT YOUR CERTIFIED FINANCIAL ADVISOR BEFORE TAKING ANY DECISION.

THANKYOU VERY MUCH

Maruti – Inverted Head and Shoulder – Bullish pattern

MARUTI SUZUKI IN (3,704.05, 3,894.00, 3,691.90, 3,871.55, +143.600)

ROUNDING TOP AND ROUNDING BOTTOM FORMATION

Reckitt & Colman

ROUNDING TOP FORMATION

ROUNDING TOP AND ROUNDING BOTTOM FORMATION

00BSE Sensex 30 C (5,487, 5,556, 5,487, 5,541)
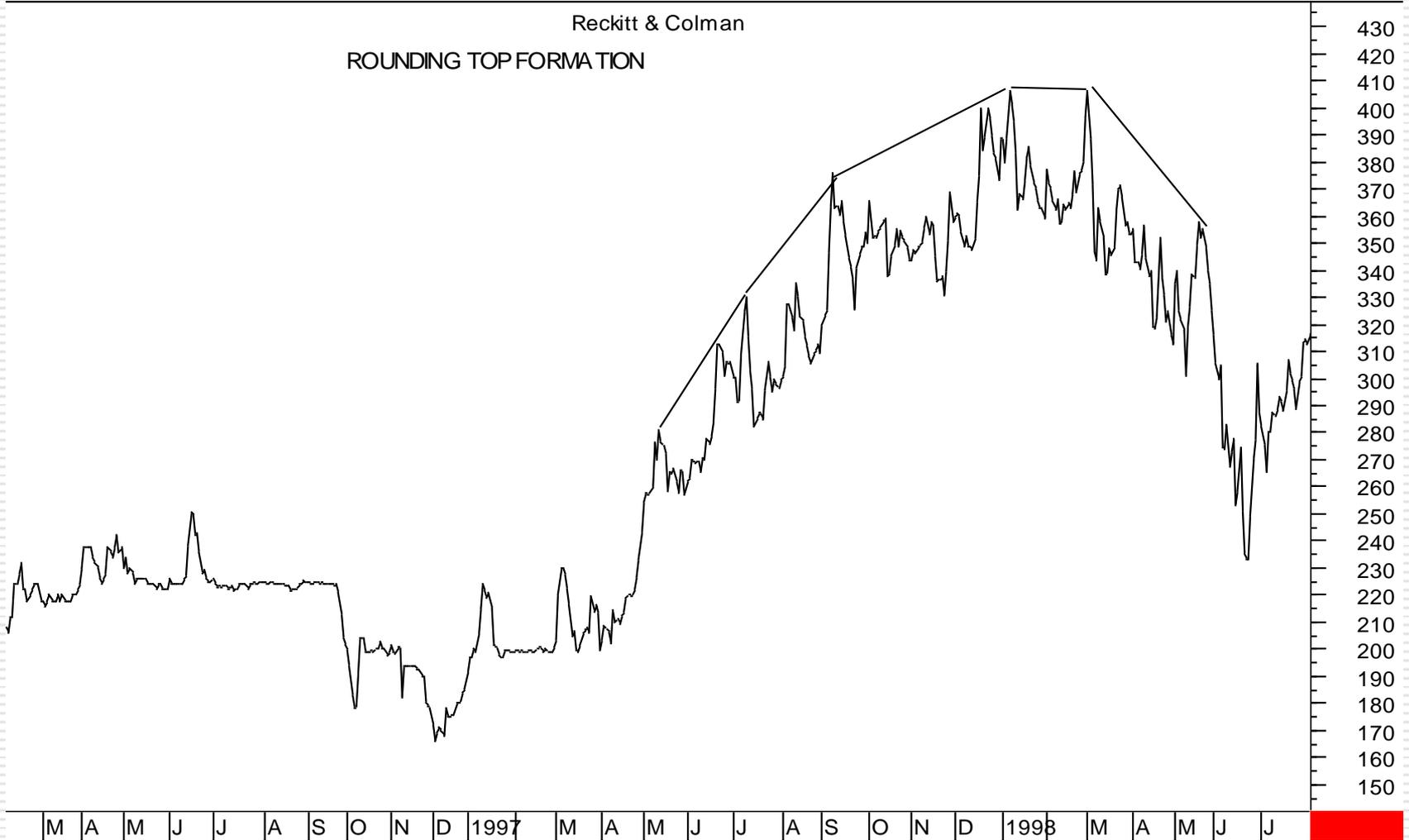
ROUNDING BOTTOM FORMATION

TRIANGLES

(USUALLY CONTINUATION PATTERN):

- ☐ THERE ARE THREE TYPES OF TRIANGLES :-
    - ■ SYMMETRICAL TRIANGLES
    - ■ ASCENDING TRAINGLES
    - ■ DESCENDING TRAINGLES
- ☐ Common characteristics
    - ■ Area of Confusion
    - ■ Breakout at 2/3 rd distance
    - ■ Pull back Action
    - ■ 4 points of contact
    - ■ Erratic volume and gaps within the area

SYMMETRICAL TRIANGLE
HERO MOTORS 2013 DAILY CHART

HERO MOTOCORP LIMITED (1,930.00, 1,945.95, 1,891.90, 1,900.80, -44.4500)

SYMMETRICAL TRIANGLE
HERO MOTORS 2013

SYMMETRICAL TRIANGLES

00BSE Sensex 30 C (5,487, 5,556, 5,487, 5,541)

SYMMETRICAL TRIANGLE ON BSE

DESCENDING - RIGHT ANGLE TRIANGLE

03Nat.Alum. (F&O) (179.50, 180.35, 174.10, 176.20)

DESCENDING TRIANGLE

DESECENDING TRAINGLE BSE 30

--1BSE Sensex 30 (17,851.44, 18,101.84, 17,448.71, 17,996.15, +28.0703)

BSE 30 MARCH TO APRIL 2012 DESCENDING TRIANGLE

RECTANGLES

01Cipla (F&O) (1,225.0, 1,293.0, 1,216.5, 1,278.7)

RECTANGLE ON CIPLA

19	26	2	9	16	23	30	7	14	21	28	4	11	18	25	2	9	16	24	30	6	13	20	27	3	10
April						May					June				July					August				Septem	

1350
1300
1250
1200
1150
1100
1050
1000
950
900
850

RECTANGLES

01Infy (F&O) (5,082, 5,325, 5,060, 5,256)

INFOSYS- WEEKLY LINE CHART

Channel Trendlines / Rectangle

*

* = breakout from channel

DOUBLE AND TRIPLE TOPS & BOTTOMS (MAJOR REVERSAL PATTERN):-

01ITC (F&O) (1,020.0, 1,020.0, 980.3, 986.5)

DOUBLE TOP

DOUBLE BOTTOM ON NIFTY 2009

DOUBLE BOTTOM FEB 2016

DOUBLE BOTTOM - NIFTY FEB 2016
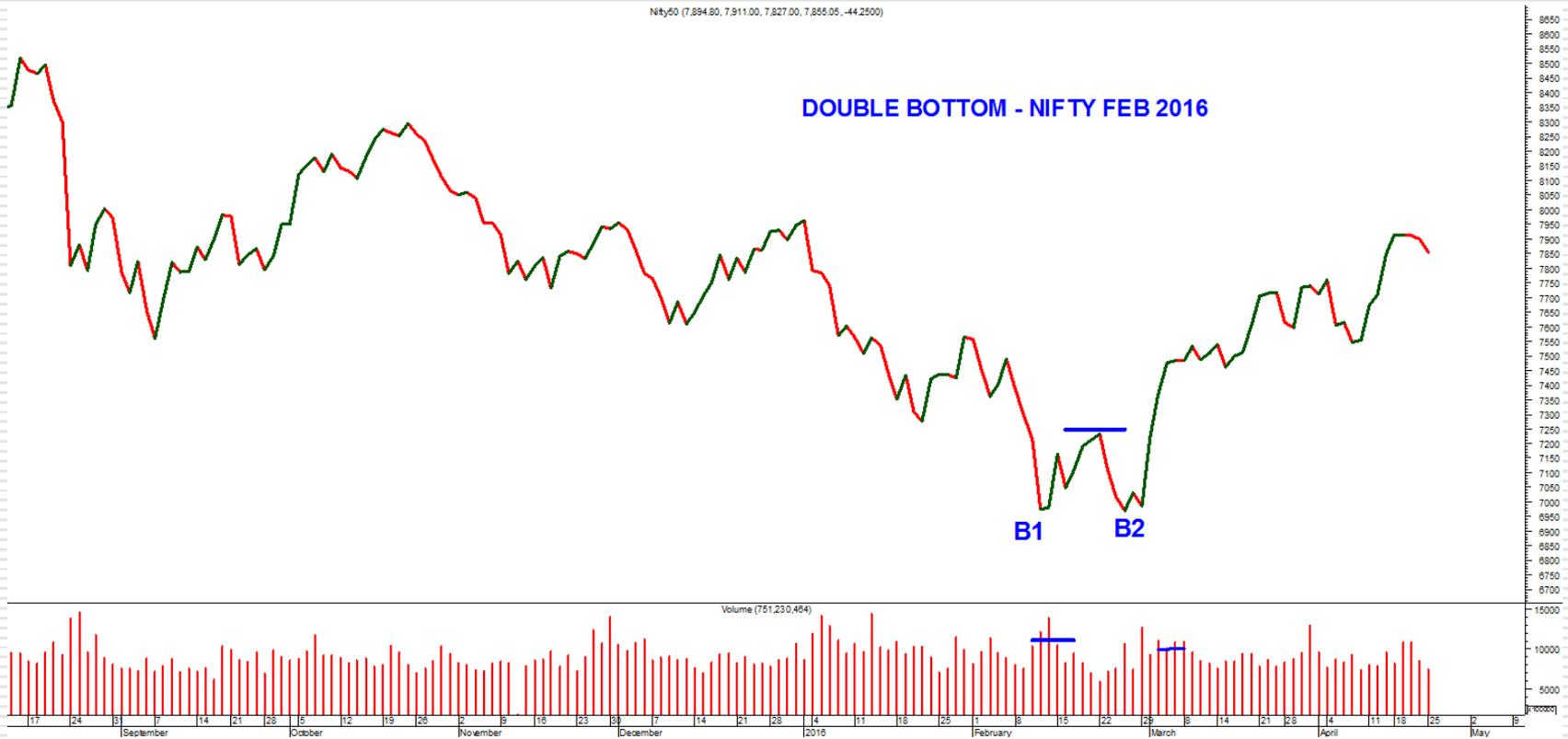
DOUBLE BOTTOM

01ACC (F&O) (230.5, 234.0, 229.0, 230.6)

DOUBLE BOTTOM FORMATION

B1   B2
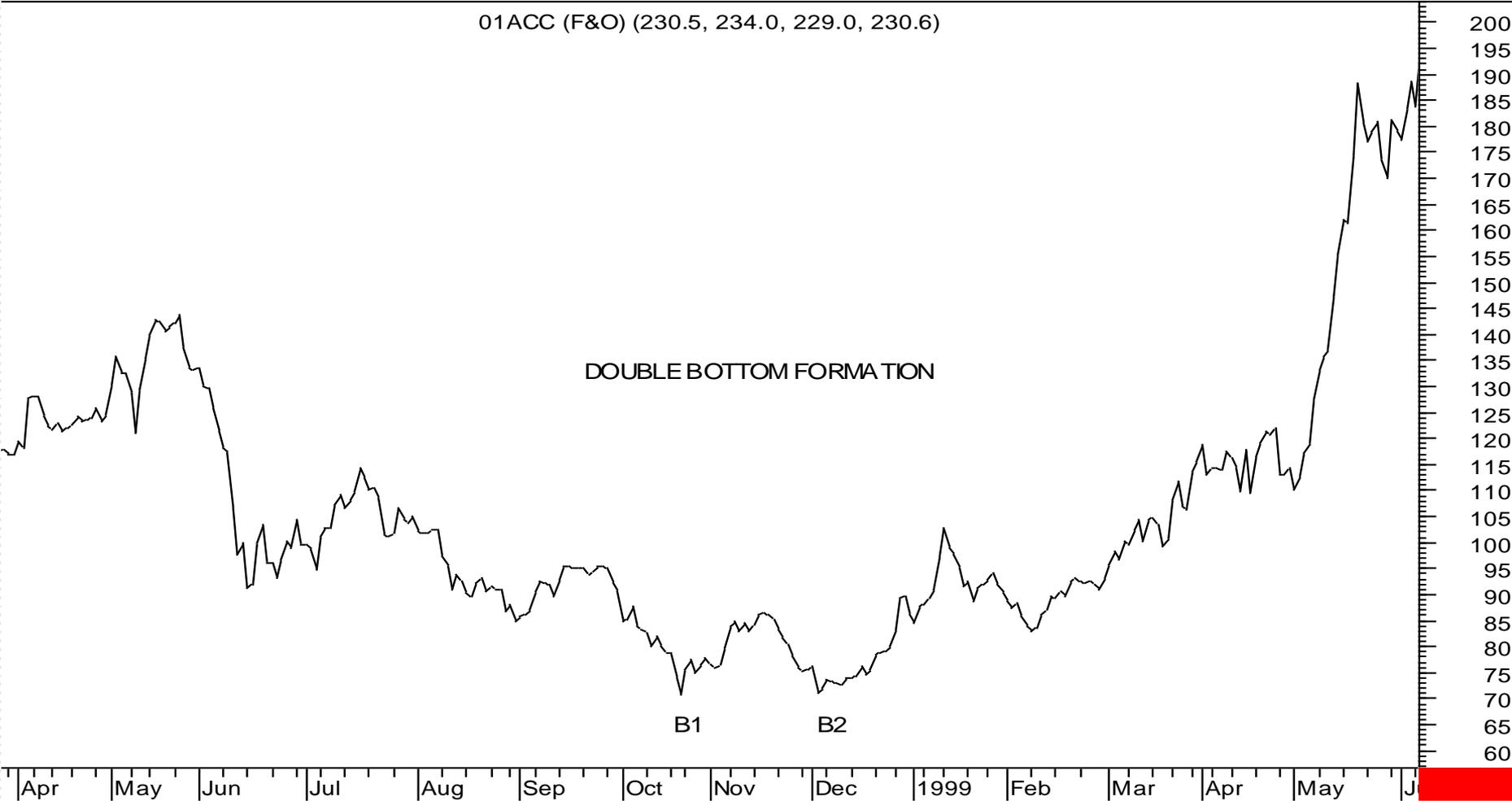
THE WEDGE - FALLING WEDGE - RISING PRICES

Nestle (India) (642.0, 652.0, 641.1, 650.1)

FALLING WEDGE - RISING PRICES
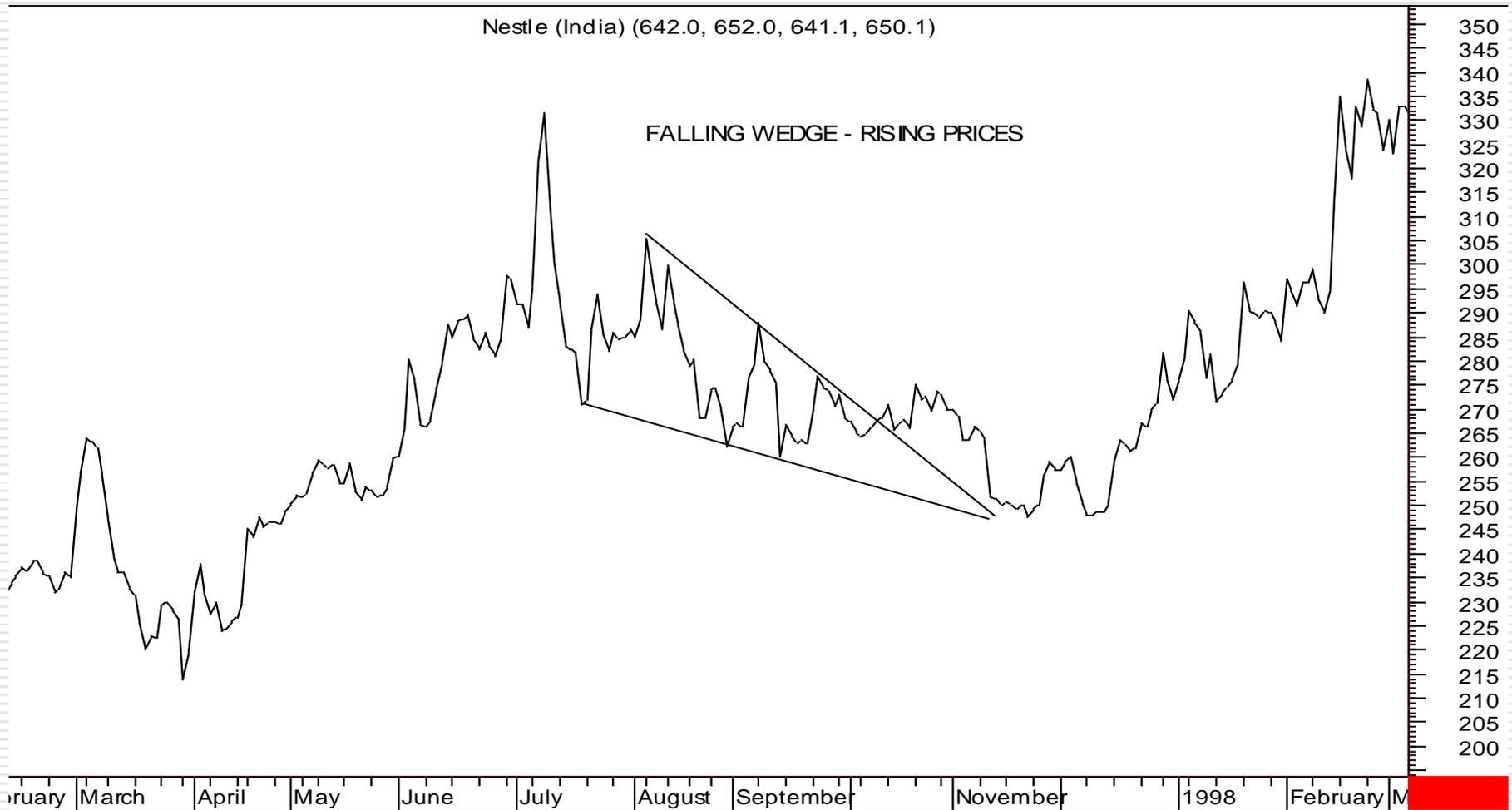
RISING WEDGE- FALLING PRICES DR REDDY

DR. REDDY'S LABO (2,140.00, 2,199.00, 2,120.20, 2,167.45, +16.5999)

DR REDDY
RISING WEDGE FALLING PRICES
DECE 2012

FLAGS
CONTINUATION PATTERN ONLY

Dabur India Ltd (86.50, 91.80, 86.25, 91.05)

FLAG FORMATION

Volume (796,784)
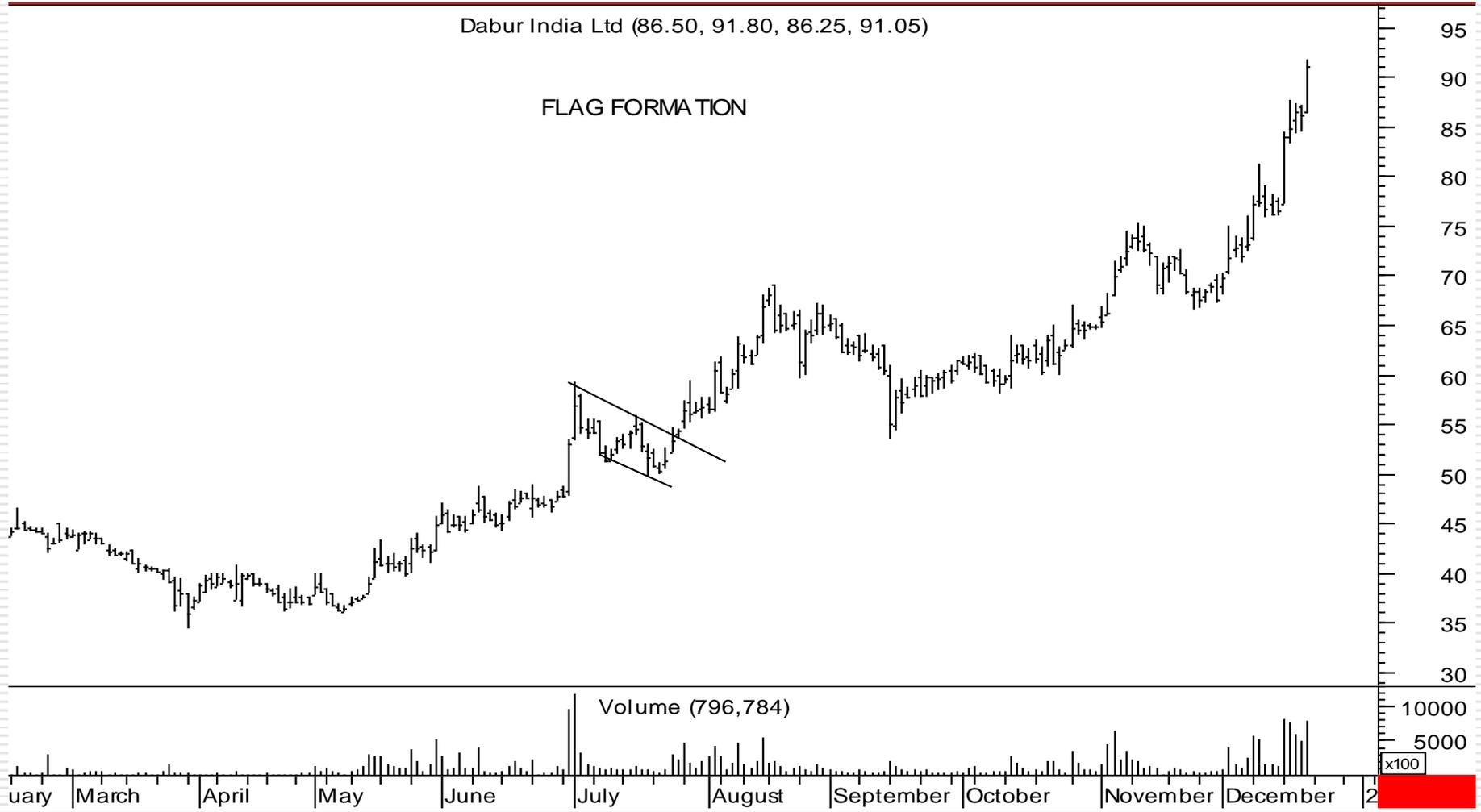
THE PENNANT - A POINTED FLAG

Great Eastern Shipping (142.5, 144.8, 140.6, 141.7)

PENNANT FORMATION
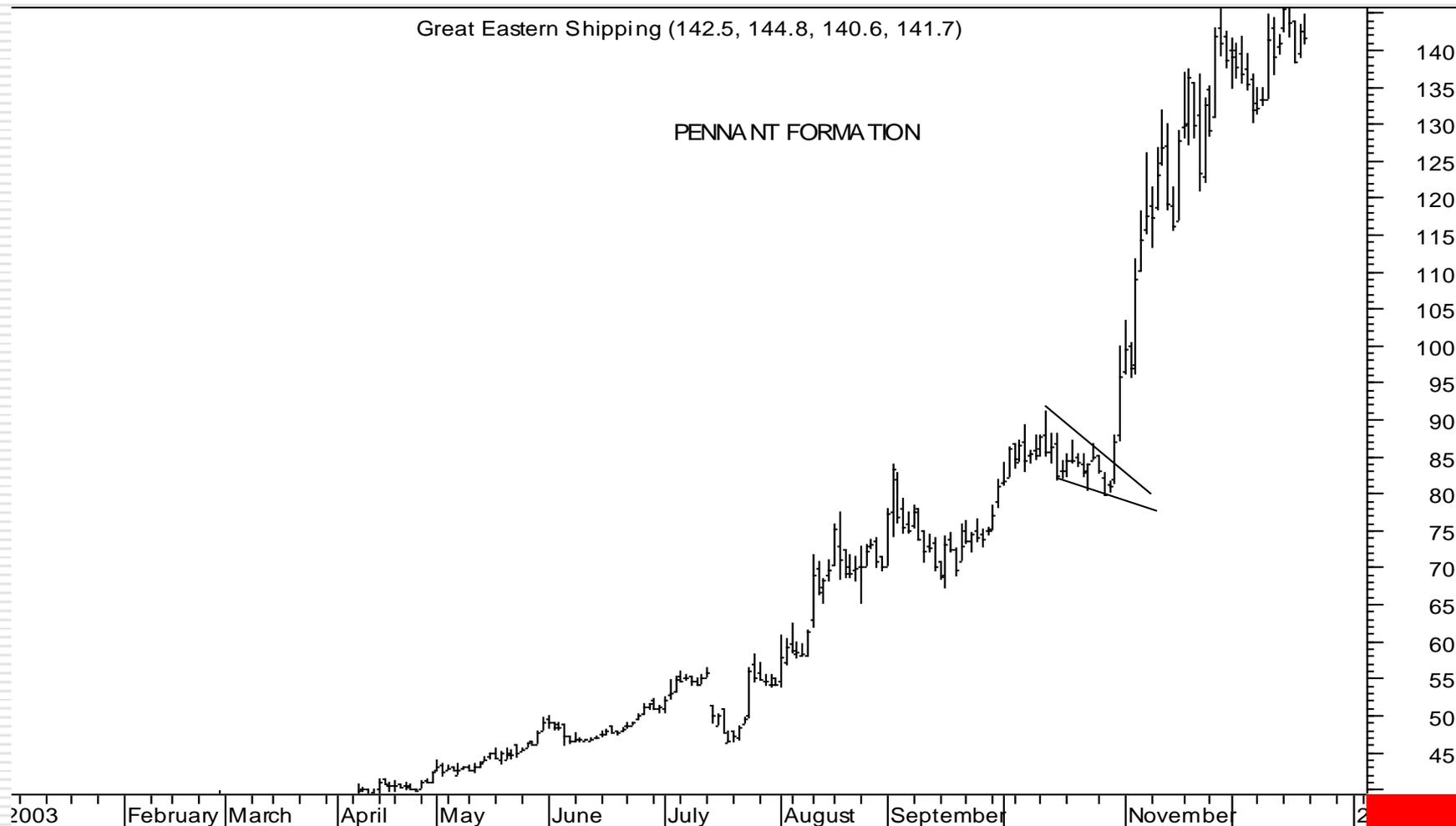
GAPS

- ☐ A gap is a chart pattern that consists of two adjacent bars , where the low of one bar is higher than the high of the previous bar.

- ☐ All gaps can be divided into four major groups
  - ■ 1. Common gaps
  - ■ 2. Breakaway gaps
  - ■ 3. Continuation gaps
  - ■ 4. Exhaustion gaps.

BREAKOUT GAP OF MARCH2014

MOMENTUM INDICATORS

- INTRODUCTION :-
- Oscillators measure the speed or velocity of the market.
- If a ball is thrown up, when it leaves your hand it has the, highest speed , when it goes still furthur up   though it continues to go up it goes with a lower speed , and it has the lowest speed at the top , and then it takes turn and starts falling down. .Oscillators allow you to find unsustainable levels of optimism and pessimism

MOMENTUM INDICATORS

MOMENTUM INDICATORS FOR DISCUSSION TODAY

1. ROC
2. RSI
3. STOCHASTICS

TRADING RULES :-

☐ OVERBOUGHT AND OVERSOLD ZONES

☐ DIVERGENCES

RATE OF CHANGE - ROC

- For example - a 7 days Momentum of closing prices equals today's closing price minus the closing price 7 days ago.

- Momentum is positive if today's price is higher ; negative if today's price is lower ; and at Zero if today's price equals the price of 7 days ago.

RATE OF CHANGE – ROC
- Over Bought & Over Sold Zone and Trading on Divergences

Price ROC (12.82)

NEGATIVE DIVERGECNES

OVERBOUGHT AREA

OVERSOLD AREA

00BSE Sensex 30 C (5,487, 5,556, 5,487, 5,541)

RATE OF CHANGE - ROC

- The slope of the line shows whether momentum is rising or falling.

- The number of days will depend on the trading time frame defined by the trader. Standard ROC days are 5, 7, 12, and 24.

- ROC can be expressed in the form of Percentage also

RELATIVE STRENGTH INDEX

- RSI fluctuates between 0 and 100
- Overbought and oversold levels vary from market to market and from year to year There are no magical levels marking all tops and bottoms Oversold and overbought signals are like hot and cold reading on a thermometer. The same temperature has a different meaning in summer or in winter.
- Horizontal reference lines must cut across the highest peaks and the lowest valleys or RSI They are often drawn at 30 and 70 Some traders use 40 and 80 levels in bull markets or 20 and 60 in bear markets .The time span selected for RSI may be 5 days, 9,14 ..... depending upon the time frame in which a trader is trading i.e Short term or medium term or long term.

RELATIVE STRENGTH INDEX

- TRADING RULES :-
- Bullish and Bearish Divergences Divergences between RSI and price gives the strongest buy and sell signals. They tend to occur at major tops and bottoms . They show when the trend is weak and ready to reverse.
- Overbought & Oversold Zones

RELATIVE STRENGTH INDEX

Relative Strength Index (77.25)
negative divergence

positive divergence

00BSE Sensex 30 C (5,487, 5,556, 5,487, 5,541)

STOCHASTIC

Stochastic Oscillator (95.64)
overbought area

negative diergence

90
80
70
60
50
40
30
20
10

oversold area

00BSE Sensex 30 C (5,487, 5,556, 5,487, 5,541)

6000

5500

5000

4500

4000

September | October | November | December | 2000 | February | March